



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

EDUCATION, EMPLOYMENT AND WORKPLACE
RELATIONS LEGISLATION COMMITTEE

Estimates

WEDNESDAY, 1 JUNE 2011

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SENATE
EDUCATION, EMPLOYMENT AND WORKPLACE RELATIONS
LEGISLATION COMMITTEE

Wednesday, 1 June 2011

Senators in attendance: Senators Back, Bilyk, Nash, Cash, Crossin, Fielding, Fisher, Marshall, Mason, Parry, Ronaldson, Scullion and Wortley

**EDUCATION, EMPLOYMENT AND WORKPLACE RELATIONS
PORTFOLIO****In Attendance**

Senator Evans, Minister for Tertiary Education, Skills, Jobs and Workplace Relations.
Senator Collins, Parliamentary Secretary for School Education and Workplace Relations

Department of Education, Employment and Workplace Relations

Ms Lisa Paul, Secretary

Mr Michael Manthorpe, Deputy Secretary

Ms Jennifer Taylor, Acting Deputy Secretary, Executive

Dr Michelle Bruniges Associate Secretary

Ms Catherine Wall, Acting Deputy Secretary, Executive

Mr Robert Griew, Associate Secretary

Ms Sandra Parker, Deputy Secretary

Mr John Kovacic, Deputy Secretary

Ms Robyn Kingston, Chief Internal Auditor, Internal Audit

Corporate and Network

Mr Michael Manthorpe, Deputy Secretary

Mr Craig Storen, Chief Financial Officer, Finance and Business Services

Ms Susan Monkley, Deputy Chief Financial Officer, Finance and Business Services

Ms Kylie Emery, Acting Group Manager, Communication and Parliamentary

Ms Barbara Grundy, Branch Manager, Communication and Parliamentary

Mr Timothy Pigot, Branch Manager, Communication and Parliamentary

Mr Brant Trim, Branch Manager, Communication and Parliamentary

Ms Deb Rollings, Branch Manager, Communication and Parliamentary

Mr George Kriz, Chief Lawyer and Group Manager, Legal and Investigations

Ms Susan Smith, Group Manager, Organisational Development

Ms Vicki Rundle, Group Manager, People

Mr Benjamin Wyers, Branch Manager, People

Ms Sue Dawson, Group Manager, State and Regional Services strategy

Ms Nicky Govan, Branch Manager, State and Regional Services strategy

Outcome 1—Office of Early Childhood Education and Child Care

Ms Jennifer Taylor, Acting Deputy Secretary, Executive

Mr David De Silva, Acting Group Manager, Early Childhood Quality

Ms Joan ten Brummelaar, Branch Manager, Early Childhood Quality

Ms Lisbeth Kelly, Branch Manager, Early Childhood Quality

Ms Ngaire Hosking, Group Manager, Indigenous Pathways and Early Learning
Ms Robyn Priddle, Branch Manager, Indigenous Pathways and Early Learning
Mr Matthew Hardy, Branch Manager, Indigenous Pathways and Early Learning
Dr Russell Ayres, Branch Manager, Indigenous Pathways and Early Learning
Ms Joanna Stanion, Branch Manager, Indigenous Pathways and Early Learning
Ms Robyn Shannon, Acting Group Manager, Childhood Programs and Business Support
Mr Murray Kimber, Branch Manager, Child Care Programs and Business Support

Outcome 2—Schools and youth

Dr Michelle Bruniges, Associate Secretary
Ms Catherine Wall, Acting Deputy Secretary, Executive
Dr Evan Arthur, Group Manager, National Schools and Youth Partnerships
Ms Rhyan Bloor, Branch Manager, National Schools and Youth Partnerships
Ms Helen McLaren, Branch Manager, National Schools and Youth Partnerships
Mr Patrick Burford, Acting Branch Manager, National Schools and Youth Partnerships
Ms Gabrielle Phillips, Branch Manager, National Schools and Youth Partnerships
Mr Anthony Fernando, Branch Manager, National Schools and Youth Partnerships
Ms Janet Davy, Group Manager, Curriculum, Assessment and Teaching
Ms Margaret Banks, Branch Manager, Curriculum, Assessment and Teaching
Ms Alex Gordon, Branch Manager, Curriculum, Assessment and Teaching
Mr Tony Zanderigo, Branch Manager, Curriculum, Assessment and Teaching
Mr Matt Davies, Acting Group Manager, Engagement and Wellbeing
Mr John Baker, Branch Manager, Engagement and Wellbeing
Mr Stephen Goodwin, Branch Manager, Engagement and Wellbeing
Mr Chris Sheedy, State Manager South Australia, Engagement and Wellbeing
Mr Craig Robertson, Group Manager, Infrastructure and Funding
Ms Oon Ying Chin, Branch Manager, Infrastructure and Funding
Ms Chris Woodgate, Branch Manager, Infrastructure and Funding
Ms Louise Hanlon, Branch Manager, Infrastructure and Funding
Mr Kieren Robinson, Acting Branch Manager, Infrastructure and Funding
Mr Atul Sehgal, Director, Infrastructure and Funding
Mr Anthony Parsons, Group Manager, Building the Education Revolution Program Management
Mr Stewart Thomas, Branch Manager, Building the Education Revolution Program Management

Outcome 3—Tertiary, skills and international

Mr Robert Griew, Associate Secretary
Mr Michael Maynard, Group Manager, Skills

Ms Katy Balmaks, Branch Manager, Skills
Ms Jan Febey, Branch Manager, Skills
Mr Daneil Owen, Branch Manager, Skills
Ms Kathryn Shugg, Branch Manager, Skills
Ms Julie Yeend, Branch Manager, Skills
Mr David Hazlehurst, Group Manager, Higher Education Group
Ms Lisa Schofield, Acting Branch Manager, Higher Education Group
Dr James Hart, Branch Manager, Higher Education Group
Mr Mark Warburton, Branch Manager, Higher Education Group
Ms Catherine Vandermark, Branch Manager, Higher Education Group
Dr Andrew Taylor, Branch Manager, Higher Education Group
Mr Phil Aungles, Acting Branch Manager, Higher Education Group
Ms Mary-Anne Sakkara, Acting Group Manager, Tertiary Framework
Ms Melissa McEwen, Acting Branch Manager, Tertiary Framework
Mr Richard Millington, Acting Branch Manager, Tertiary Framework
Ms Kate Driver, Acting Branch Manager, Tertiary Framework
Mr Martin Graham, Branch Manager, Tertiary Framework
Mr Neil McAuslan, Branch Manager, Tertiary Framework
Ms Leonie Horrocks, Branch Manager, Tertiary Framework
Mr Colin Walters, Group Manager, International Group
Ms Tulip Chaudhury, Branch Manager, International Group
Mr Jason Coutts, Branch Manager, International Group
Mr Vipin Mahajan, Branch Manager, International Group
Mr John Barbour, Acting Branch Manager, International Group
Mr Robin Shreeve, Chief Executive Officer, Skills Australia

Outcome 4—Employment, strategy and Indigenous strategy

Ms Sandra Parker, Deputy Secretary
Ms Jenny Harrison, Acting Group Manager, Employment Services Management, Procurement and Evaluation
Ms Marsha Milliken, Group Manager, Income Support
Ms Margaret Sykes, Branch Manager, Income Support
Mr Brett Harris, Acting Director, Income Support
Ms Margaret McKinnon, Group Manager, Job Services Australia
Ms Linda Laker, Branch Manager, Job Services Australia
Ms Fiona Buffinton, Group Manager, Specialist Employment Services
Ms Ingrid Kemp, Branch Manager, Specialist Employment Services
Mr Stephen Moore, Group Manager, Employment Systems

Ms Margaret Kidd, Group Manager, Labour Market Strategy
Ms Alison Durbin, Branch Manager, Labour Market Strategy
Ms Stephanie Bennett, Branch Manager, Labour Market Strategy
Mr Darren Hooper, Branch Manager, Labour Market Strategy
Mr Ivan Neville, Branch Manager, Labour Market Strategy
Mr Malcolm Greening, Branch Manager, Labour Market Strategy
Dr Alison Morehead, Group Manager, Social Policy and Economic Strategy
Mr Mark Roddam, Branch Manager, Social Policy and Economic Strategy
Ms Rose Verspaandonk, Branch Manager, Social Policy and Economic Strategy
Mr Scott Matheson, Branch Manager, Social Policy and Economic Strategy
Ms Helen Innes, Acting Branch Manager, Social Policy and Economic Strategy
Ms Debbie Mitchell, Branch Manager, Strategic Priorities
Ms Jo Wood, Group Manager, Strategy–Indigenous Economic Strategies
Ms Katrina Fanning, Branch Manager, Strategy–Indigenous Economic Strategies
Ms Tania Rishniw, Branch Manager, Strategy–Indigenous Economic Strategies

Outcome 5—Workplace relations

Mr John Kovacic, Deputy Secretary
Ms Michelle Baxter, Group Manager, Workplace Relations Implementation and Safety
Mr Jeff Willing, Branch Manager, Workplace Relations Implementation and Safety
Ms Meredith Fairweather, Branch Manager, Workplace Relations Implementation and Safety
Ms Flora Carapellucci, Branch Manager, Workplace Relations Implementation and Safety
Ms Sarah Sullivan, Acting Branch Manager, Workplace Relations Implementation and Safety
Mr Jeremy O'Sullivan, Group Manager, Workplace Relations Legal
Mr Peter Cully, Branch Manager, Workplace Relations Implementation and Safety
Mr Henry Lis, Branch Manager, Workplace Relations Legal
Mr David Bell, Branch Manager, Workplace Relations Legal
Mr David Bohn, Branch Manager, Workplace Relations Legal
Ms Susan Devereux, Group Manager, Workplace Relations Policy
Ms Tara Williams, Acting Branch Manager, Workplace Relations Policy
Ms Jody Anderson, Branch Manager, Workplace Relations Policy
Ms Yvonne Dunlop, Acting Branch Manager, Workplace Relations Policy
Ms Jacinta Galluzzo, Acting Branch Manager, Workplace Relations Policy
Ms Barbara Turnbull, Acting Branch Manager, Workplace Relations Policy
Safe Work Australia
Mr Rex Hoy, Chief Executive Officer

Mr Andrew Craig, Chief Financial Officer

Ms Amanda Grey, Branch Manager

Mr Andrew Wagner, Branch Manager

Mr Wayne Creaser, Branch Manager

Ms Julia Collins, Branch Manager

Ms Julie Hill, Director

Ms Ivanka Debevec, Director

Fair Work Ombudsman

Mr Nicholas Wilson, Fair Work Ombudsman

Mr Michael Campbell, Executive Director

Mr Bill Loizides, Group Manager, Field Operations

Mr Steven Ronson, Executive Director–Regional Services and Targeting

Ms Leanne Fry, Executive Director–Communications and Solutions

Mr Russell Thackeray, Acting Chief Financial Officer

Ms Janine Webster, Chief Counsel

Mr Michael Clark, Group Manager–Customer Service

Fair Work Australia

The Hon. Geoff Giudice, President

Mr Tim Lee, General Manager

Mr Terry Nassios, Director

Ms Bernadette O'Neill, Director

Mr Brendan Hower, Director

Mr Dennis Mihelyi, Director

Comcare

Mr Paul O'Connor, Chief Executive Officer

Mr Steve Kibble, Deputy Chief Executive Officer

Office of the Australian Building and Construction Commissioner

Mr Leigh Johns, Commissioner

Mr John Casey, Chief Financial Officer

Ms Heather Hausler, Assistant Commissioner–Corporate

Mr Brian Corney, Assistant Commissioner–Legal

Ms Linda Addison, Assistant Commissioner–Operations

Mr Clifford Pettit, Executive Director–Legal (Central/West)

Australian Curriculum, Assessment and Reporting Authority

Dr Peter Hill, Chief Executive Officer

Mr Robert Randall, General Manager, Curriculum and Deputy Chief Executive Officer

Mr Peter Adams, General Manager, Assessment

Australian Institute for Teaching and School Leadership

Ms Margery Evans, Chief Executive Officer

Ms Shelagh Whittleston, Deputy Chief Executive Officer

Ms Keren Caple, General Manager—Corporate and Teacher Standards

Mr Anthony Mackay, Chair

Australian Learning and Teaching Council Limited

Dr Carol Nicoll, Chief Executive Officer

Skills Australia

Ms Susan Beitz, Assistant Secretary

Committee met at 9:00

CHAIR (Senator Marshall): Welcome to Wednesday of the estimates proceedings. Officers and others will be familiar with the rules governing estimates proceedings and also the orders regarding privilege made by the Senate. If anyone needs assistance with those rules or orders, you can contact the secretariat and we will assist you. Apart from that, we will start in outcome 3 today. How is that? Senator Mason, would you like to start in outcome 3 for us?

Senator MASON: That would be delightful, Mr Chairman, thank you. Minister and Ms Paul, good morning. We are commencing with Skills Australia. Is that right?

CHAIR: That is probably a good idea, yes.

Skills Australia

[09:02]

Senator MASON: Mr Shreeve, good morning. Can I start with Skills Australia, with some preliminary questions, if I might.

Mr Shreeve: Yes.

Senator MASON: Thank you. What is the annual budget for Skills Australia?

Mr Shreeve: Five million dollars.

Senator MASON: The staffing level of Skills Australia—and you may have to take this on notice—could you tell the committee what the staff breakdown is for Skills Australia and position level?

Mr Shreeve: Yes. On the books at the moment we have 21 staff—we have some secondees, but it is 21 at the moment in terms of the headcount. There are two SES officers and there is a range of other Public Service graded staff; I think we have five people at EL2 level and the rest are other grades below that level.

Senator MASON: Thank you. How frequently does Skills Australia meet with the industry skills councils around Australia; how frequently does that happen?

Mr Shreeve: We have regular updates with the CEOs—the secretariat—and members of the board meet with the chairs and CEOs of the industry skills councils several times a year, sometimes formally through our strategic industry forums and other times when board members are invited to industry skills councils forum.

Senator MASON: Formally, several times a year with industry skills councils but also then, informally, in effect. Is that right?

Mr Shreeve: Yes.

Senator MASON: What do you see thus far as the key achievements of Skills Australia?

Mr Shreeve: They are encompassed in our three major reports. In *Foundations for the future* we had a look at the governance of the VET sector, and certainly our board feels that they were instrumental in the new national VET regulator, we identified quality as an issue and that was one of the outcomes, amongst many others. Following on from that, last year was *Australian workforce futures*, which has been a very well received report, which defines some of the issues that we are looking at in terms of skills and workforce development into the future. We were very proud of the work that we did in terms of identifying foundation skills as a priority, both for industry and in the educational sector as well. We also, I think, set the agenda in terms of workforce participation, setting the bar higher in terms of a 69 per cent workforce participation rate, and we did quite a lot of work looking at the economic and fiscal benefits of achieving a workforce participation rate at that level.

Senator MASON: They are, in effect, am I right to say, policy recommendations? You have produced reports, and I accept that, I have got a couple here—*Foundations for the future*, that you mentioned, and a recent one, from May, *Skills for prosperity: a roadmap for vocational, education and training*.

Mr Shreeve: Yes.

Senator MASON: You have produced those reports and I am sure there is a lot of valuable work in there. What outcomes do you think you have achieved?

Mr Shreeve: Our business is advice, as defined in our act. We have made a convincing case to government, as government has picked up some of the recommendations of our reports, in establishing the national regulator—and, if you look at last year's budget, you will see some of the recommendations in terms of increased expenditure in terms of the Workplace English, Language and Literacy program and the other foundation skills program. We have made a convincing case which has influenced government policy. We have also taken the agenda for—

Senator MASON: You say you have influenced government policies. How do you know you are being effective; that is because of the feedback you get from government? Is that right?

Senator Chris Evans: I can give you an example, if you like, which is from my former portfolio. Skills Australia did a new methodology—provided by advice on the skills in demand list. What is it formally called now?

Mr Shreeve: Skilled occupation list.

Senator Chris Evans: Skilled occupation list—which we use as the basis for amending the list of occupations and highly reducing them, that were the basis for our skilled migration programs. For the first time, the list was based on evidence that Skills Australia collected. Previously, it was, being frank, designed by who came in the door or the minister jumped up and down enough and made enough noise to be included on the list; as a result, the list had got very large but it was not targeting appropriately the skills that Australia needed. The work

Skills Australia did, the analysis they did, provided advice to the government, which the government accepted, as to the skills in demand in Australia. We changed the migration regulations to reflect that advice, and that advice will get updated. That is a very practical measure that the then minister for immigration did and that the department of immigration continues to do. Instead of just a discussion about what skills might be in demand, we actually sought formal advice from Skills Australia that effectively then ends up targeting the migration program, to bring in people with the skills Australia's economy needs. That was the first time it was done on some sort of proper evidence base.

Senator MASON: The conceptual shift would be from, how do I put this politely, lobbying based, or something approaching that, to evidence based.

Senator Chris Evans: Yes, and Skills Australia provided independent advice, which the government accepted. I should not say it was the first time but it had a rigour about it that perhaps might have been lacking in the past.

Senator MASON: You would say Skills Australia's principal duty is to provide advice to government?

Mr Shreeve: Yes, and, as the minister said, the skilled occupation list is a definite link, but in other ways we are influencing policy. Our advice is also picked up by industry and educational providers—we provide advice to government—but some of the work that we have done in terms of delivering methodologies and how the VET sector might be structured has been picked up by people in the field as well.

Senator MASON: Is it part of your mandate to predict skills shortages?

Mr Shreeve: Yes. In broad terms, what we do is look at Australia's future workforce needs. We have done some modelling and some scenario analysis which has looked at the number of qualifications the economy will need to make sure that we avoid skill shortages. Yes, we do that.

Senator MASON: How do you do that?

Mr Shreeve: We go through a scenario planning exercise where we did Australia Workforce Features. We looked at three scenarios based on the Shell Company scenarios and then we modelled the results. We just started the process of looking at a new set of scenarios for an update of Australia Workforce Features and from that we had a look at what the future workforce might be given a high growth, a medium growth and a low growth scenario.

Senator MASON: I understand the idea of modelling but it is a tough wicket predicting skills shortages if tomorrow there was, let's say a civil unrest in the People's Republic of China that could cut off—I am sure it would be difficult but it could and it is very hard to predict that and indeed—

Senator Chris Evans: You return to familiar themes, Senator.

Senator MASON: I always do. But you see the point, Mr Shreeve, it is very difficult, all sorts of international events can have an effect—

Mr Shreeve: Certainly we look at shocks and potential unforeseen events that could impact on the different scenarios that we are working through.

Senator MASON: Minister, you have received advice from Skills Australia about these sorts of issues?

Senator Chris Evans: Mainly through their reports, Senator. I am a big supporter of what the work Skills Australia has done because I think it has filled a real gap in Australian public policy and their independence has allowed them to provide the sort of advice that has that industry based independent advice. They have a very good board who have been very active and I certainly have found the advice very useful. It is also the case that we have taken to, when we convene the ministerial counsel, MCTEE—we have got such long acronyms. Ministerial counsel of federal and state ministers has taken to having a forum before the meeting, of which the state ministers are very supportive, with Skills Australia where we engage with Skills Australia and representatives of industry they bring in, small employers et cetera, to talk about skills development, support for skills development of employers. We have had a forum as well as the ministerial meeting and it has been a highly useful engagement for the ministers with both Skills Australia and—the last time we had a woman who runs a business supporting the rail industry doing rail repairs and—

Mr Shreeve: McLeod Rail.

Senator Chris Evans: McLeod Rail; talking about her experiences with training, responsiveness of training providers, her needs in terms of skills, requirements for a workforce. Direct contact orchestrated through Skills Australia and board members and individual companies to talk to ministers about real life and employers' needs, industry needs and I think the statement—it has also been very helpful.

Senator MASON: Have you actually met with the CEO or the board?

Senator Chris Evans: I have met with Mr Shreeve and Mr Bullock. I have met with the—I am not sure if I have formally met with the board. I have certainly met with—

Mr Shreeve: With the chair.

Senator Chris Evans: With the chair in combination with the board and there are people like Ms Heather Ridout who I meet with through other things, who raises things. There is Mr Keith Spence, who is out of the oil and gas industry, who now heads the West Australian training board and also our Critical Skills Investment Fund. We meet the board members in other roles as well as formally. They are all people providing leadership in the training or economic area.

Senator MASON: How often have you met with either Mr Shreeve, the CEO or board members?

Senator Chris Evans: I could take it on notice but if you like how often have I bumped into Keith Spence? He is a board member.

Senator MASON: I mean formally to discuss Skills Australia issues?

Senator Chris Evans: I can that on notice.

Senator MASON: As a formal meeting. What came into my mind, Minister, was the issue with the Chief Scientist. You want to make use of these good people and I wonder if the government—although I suspect with Professor Chubb you were making good use of him?

Senator Chris Evans: I launched their last report in Sydney just before the budget so we are in regular contact. They work very closely with my office in terms of providing advice so I do not think you need be concerned about the Chief Scientist type issue in terms of connection, without passing comment on that.

Senator MASON: You understand the point?

Senator Chris Evans: The board members are all engaged in training and industry anyway. It is very much an industry-based board. We can give you the—it is all in our annual report, you know who the board are.

Senator MASON: The board, yes.

Senator Chris Evans: They are hands on industry people so—most of them have some connection to state training authorities and employer groups.

Senator MASON: Mr Shreeve, in terms of current and emerging skills needs, what analysis has Skills Australia done on that?

Mr Shreeve: We have done a number of reports. We did the economic modelling and we got Access Economics. We have just finished a job in terms of updating the National Resources Employment Taskforce and we also do industry outlooks which are published on our website which are work on Access Economics which looks at future qualification and skill demand. We are looking to expand this work and we also complement the work that the department does in terms of analysing skills shortages. What we are doing is taking a medium- longer term view of the economy and, in terms of our scenario modelling, we looked at what the total size of the workforce might be, what the qualification levels should be achieving and from that we have extrapolated those to certain industries. I regularly talk at conferences, so for example I have recently talked at some transport industry conferences as well as the resources sector work that we are doing. Obviously there has been growth in the services industry as well and one of the things that we are concerned about with an ageing population is the whole question of ageing.

Senator MASON: Let me give you an example: what does Skills Australia see as an area of future shortage, in terms of skills?

Mr Shreeve: In terms of areas like aged care, with an ageing population and a growing older population, we have some concerns and we are hoping that we can put remedial strategies in place to avoid any skills shortages. The resources industry is well known but you could also almost say anything to do with engineering and something that has got a mathematical base can be problematic because quantitative ability is really important in many industries.

Senator MASON: Some of us do not have it though, Mr Shreeve.

Mr Shreeve: No, but—

Senator MASON: I thought you might say there would be a shortage of lawyers; I would have been very upset to learn that.

Mr Shreeve: In general terms, if you take the resource, engineering, construction industries in the manufacturing area and you take some of the service areas like health and education in the others, because of the nature of the way that the economy is going, but there is always replacement issues as well.

Senator MASON: Can I just go back, so let's just take the first one you mentioned: aged care. Future shortage, I can accept that, not that I am a predictor of these things but it makes sense to me. What then does Skills Australia propose to do about that shortage?

Mr Shreeve: We are advising the government that we need to train more people in terms of increasing the number of people with tertiary qualifications in both the higher education and the VET sector. To a certain extent, our report, if I could be a bit bold, complemented the work that Bradley did in the higher education space.

Senator MASON: I noticed that. We will get to that in a minute.

Mr Shreeve: We are saying we need a range of skills in the workforce, some of which are supplied by higher education and some of which are supplied by vocational education and training. What we are attempting to do in this report was to build on the work of Australian Workforce Futures in quantifying what that general need might be and then suggesting strategies which is the best means of meeting those needs by some reforms to the vocational education and training system so that they have the capability of responding better.

Senator MASON: I am sure the minister will understand this, when you uncap and in effect deregulate universities, not the pricing mechanism but the placement which is happening from next year—and there are many good reasons for doing that—your capacity to—I put this—push people, persuade people to go into certain areas where there might be a shortage also decreases at one level.

Senator Chris Evans: I think if you are pointing to the concern that—

Senator MASON: Typically the policy leavers, how do you—

Senator Chris Evans: That is a real issue and I think there is going to need to be a range of responses to that. The increase in access university is partly about meeting what we know will be our needs in terms of tertiary educated people with qualifications to that. The increase in access to university is partly about meeting what we know will be our needs in terms of tertiary-educated people with qualifications. Skills Australia's work points to the fact that there will be two and a half times the number of skilled jobs growth than unskilled growth, so the whole demand for skills in the Australian economy, which we are trying to position as a high-skill high-wage economy, requires up-skilling of the workforce. We have some relatively low numbers in this area, comparatively, but there is no doubt that, by opening up more university places, you can say you might be drawing on some of the potential persons who might otherwise have gone into other occupations.

Senator MASON: Aged care, for example.

Senator Chris Evans: Yes. If you think about it, aged care is a classic in the sense that the nursing and the occupational health and other requirements are high-skill jobs and, increasingly—

Senator MASON: Increasingly so.

Senator Chris Evans: Increasingly, quite frankly, there are well-to-do people or people with higher expectations about the standard of care in aged care. When I was involved with aged care many years ago, people were in dormitories in state-run institutions in Western Australia, like Sunset et cetera. You would have found it pretty hard putting a family member in there. Now we have much higher expectations and access to professionals, nurses, occupational therapists et cetera is expected—so there is that skills base—but there are also needs in aged care for carers and care attendants, and there are issues there that are much more complex, including pay rates. It is not well-rewarded work. In a sense, we have a high-skill problem and—I want to be careful how I say this—in in a lot of the caring occupations,

like child care and aged care, we have difficulties attracting qualified labour because of the wage rates. One of the answers to this question about university and TAFE education is that they are not mutually exclusive now; a lot of people are doing a degree in engineering and then doing an associate diploma, where they seem to get more practical experience, which helps them get into the workforce.

Senator MASON: Going, as some would see it, back the other way.

Senator Chris Evans: Yes. I ask universities, 'Why is it, if they do an engineering degree, they are not ready for the workforce?' which is question that sometimes they do not like me asking.

Senator MASON: We will ask the vice chancellors that one.

Senator Chris Evans: I have, and I have upset a couple of them too.

Senator MASON: Mr Shreeve, could we go back to aged care, because I think it is a good example. You would then recommend to the government about strategies for increasing the workforce. Is that right?

Mr Shreeve: The level of qualifications, yes.

Senator MASON: What sort of things would you suggest?

Mr Shreeve: We are suggesting having an entitlement system, whereby you would encourage people to do up to a level 3 qualification, which is often the base-grade qualification in many occupations, including the aged-care sector. We are looking to reduce barriers to entry but we are also looking to increase completion rates, because one of the issues that we face—

Senator MASON: And this would apply not just in relation to aged care but across the board?

Mr Shreeve: Yes.

Senator MASON: I am trying to work out exactly—

Mr Shreeve: To a certain extent, we would work with the relevant industry skills council who are the specialist area in the particular industry sector. We try and take a look at the whole of the economy but, obviously, we have to build up from different sectors.

Senator Chris Evans: The point I might make here—which, no doubt, we will come to later when you are inquiring about budget measures and the workforce development and productivity agency, in a sense—is that Skills Australia is highlighting the problem and highlighting some potential solutions, in a policy sense, and the government has formed the view we need to take that further, in the sense of a workforce development program that uses that information and helps industry meet those needs. The way I envisage the workforce development agency—and I do not want to canvass that ground now—is taking that research advice function that Skills Australia do and growing that to give it some of the levers to address some of those issues. That is how, conceptually, I think about it anyway.

Senator MASON: Thank you, and I follow that. I would like to go to Skills Australia's recent report, *Skills for prosperity: a roadmap for vocational education and training*—the VET sector's answer to the challenge of prosperity. Is that right?

Mr Shreeve: Yes.

Senator MASON: You say that:

The debate over quality is the issue that most troubles VET stakeholders.

Mr Shreeve: Yes.

Senator MASON: What do you think should be done about that?

Mr Shreeve: We are strong supporters of the national regulator. We also have a specific measure in there which says registered providers should have their assessments validated externally on an annual basis, because we feel that there needs to be more emphasis on outcome comparisons than input comparisons.

Senator MASON: Outputs rather than inputs?

Mr Shreeve: Yes.

Senator MASON: Yes. The national VET regulatory system, as the minister and I have discussed, is in the past, because of TEQSA, which ultimately is the medium term. Isn't that right, Minister? I think you mentioned to me last time that this is a medium-term sort of—

Senator Chris Evans: Combining the two.

Senator MASON: Combining both the VET and—

Senator Chris Evans: Once you and I manage to get the TEQSA legislation through parliament, and I am relying on your support here, having not enjoyed your support for the VET regulation legislation—

Senator MASON: Indeed.

Senator Chris Evans: Getting both those established—

Senator MASON: They are very different beasts.

Senator Chris Evans: Once we get both of them established then we will move on to the next challenge.

Senator MASON: Okay, but it is a medium-term challenge.

Senator Chris Evans: Yes.

Senator MASON: That is all right. You mention:

Reform of the Australian Quality Training Framework to mandate independent validation of a sample of a provider's student assessments annually.

What do you mean by that? Do you mean there has to be, in a sense, a greater moderation so that standards right across Australia are similar?

Mr Shreeve: Yes, absolutely. What we are saying is that we need to have greater assurance—I am sure it happens a lot at the moment—that a certificate III issued by a Sydney institute is the same standard as a certificate III issued by MEGT is the same standard of a certificate III issued by an enterprise-based RTO in Western Australia in its day. It is making sure, the outcome measure, that there is some industry or educational validation that the standard is the standard set.

Senator MASON: Good. For what it is worth, I totally endorse that.

Senator Chris Evans: I am increasingly concerned about this. If you look at some of the ads that are available for how people can provide quick passage to some of these certificates, I am beginning to be a bit concerned that we have some of the issues that were apparent in the

international education area developing. That is why I think this quality assurance is really important, because we have to know that a certificate III is a certificate III.

Senator MASON: I accept that and it is fair to say we have even had some evidence of that even in the university sector in the past. I do not want to overstate it but I think it is fair to say it has been there. The qualifications framework is important to somehow validating what is a master's degree, for example.

Senator Chris Evans: Let's not use that one.

Senator MASON: No, but you understand the point.

Senator Chris Evans: Yes. I lived through that what is a master's degree issue.

Senator MASON: The nomenclature becomes exceedingly exciting for some people. You say that about the debate over quality. I am someone who is not particularly au fait with the VET sector, it is not the middle of my opposition responsibilities but, for what it is worth, that is the critical issue; people have to be satisfied—because it is state-based, much more than universities—that the system is regular, quantifiable and the qualifications are similar. It is such an important sector for—

Mr Shreeve: There are many good providers.

Senator MASON: Yes, I know.

Senator Chris Evans: That is right and it is something that I would regard as central to all this debate as well. The other aspect of that is to recognise that we have had an opening-up of the market of provision there into private providers, beyond the traditional TAFE system. TAFEs have about 80 per cent of the market, but increasingly there is a private sector; some of it is very good quality, some of it is less so. I think TAFEs generally do a good job but there is a variance in quality.

Senator MASON: I accept that.

Senator Chris Evans: When you open up the market to new players, you have to be sure that they are providing the same quality as you have traditionally received from the system. There are quality issues that we are seeking to address.

Senator MASON: You spoke about TEQSA before. In the report, Skills Australia says:

Skills Australia considers these organic developments to be appropriate, but moves towards a more integrated tertiary sector should not compromise the distinct attributes of the VET sector, especially its connections with industry and the world of work.

Just go back a few years. Back in the eighties, when I was at university, the pathways or the articulation between VET and university was very limited, but 30 years later it is much more apparent, and I think that is a good thing. I think what Skills Australia is saying here is that the systems should not be too closely integrated, so the distinct attributes are preserved.

Mr Shreeve: What we want to do is preserve the best of both worlds. We support moves for a more integrated tertiary sector: there is one ministerial council now; Skills Australia has some responsibilities for higher education in terms of advice as well; the national regulators are going to be joined together. There has been a lot of work done in terms of articulation and we do have dual-sector universities and everything like that.

Senator MASON: You certainly do.

Mr Shreeve: What I suppose we are advocating is we do not think there should be a top-down restructure. Where it says 'nationally, we are going to have a polytechnics sector', we do not think that is appropriate.

Senator MASON: You do not think that is appropriate?

Mr Shreeve: We see lots of developments happening, we see a policy framework for greater integration, but in the report we did not say, 'Let's establish a new sector between TAFEs and universities.' What we are saying, though, is that many people in industry said to us they value the connection between the VET sector and their industry groups. That is not to say individual universities do not have extremely good linkages with certain industry groups, but in the VET sector, for example, in the apprenticeship space, the electrical installation training package is common throughout the whole of Australia in terms of the competencies, and that is probably highly appropriate, whereas universities, being autonomous, have got control of their own curriculum.

Senator MASON: Yes, in consultation often but, still, you are right.

Mr Shreeve: Professional associations have a big influence in accountancy and law, as you know, and areas like that, but industry does value the fact that we have national training packages in the VET sector. We did not want to do anything to compromise that because I think you will find both sides of industry, both the employer and the unions, are very comfortable with the training package system.

Senator MASON: Over the next decade or so, this integration between VET and universities will become a much larger issue because, I am sure you will agree, Minister, vice-chancellors are talking about that articulation and those pathways and some are even using the word 'polytechnic'. I do not have a position on that.

Mr Shreeve: We would argue that is a good thing and there will be individual circumstances, which may be not a million miles away from here, where that is appropriate.

Senator MASON: Not a million miles from here, that is right.

Senator Chris Evans: I agree. I have not come to a firm view about this issue myself and it may well be that one does not want a one-size-fits-all response either. In regional areas you may well have a quite different response. Articulation, sharing of facilities, all those things, make good sense, particularly in regional areas. I hate the idea of building a uni facility right next to a TAFE in a regional area that is exclusively used when the student caseload is small—if it makes sense, you want the best-quality facilities. One of the things we try and do in the HEEF round is provide the opportunity for that to occur. Equally, you raise a really important question, which is there are differences in the way they seek to educate and train people, that come from a different philosophy or methodology, and industry are very firmly committed to the very strong work connection that you get through most of the apprenticeship and VET training. If you look internationally, people say that is our great strength and why our systems for training tradespeople et cetera are regarded as almost international best practice. Interestingly, in recent times, I have had Malaysia, Mongolia, China and India all seek access to our VET training and interest in our VET training systems because they see that, if you think about a globalised economy—

Senator MASON: As a model they can adopt.

Senator Chris Evans: Yes, and perhaps access some of our trainers et cetera, and that is increasingly happening. If you think about a global industry, if you think about BHP mining in India, they are going to want quality assurance about their employees, the machinery they are handling et cetera; if there are to be Indian tradespeople working on those machines, they are going to want to be assured that they have been trained to the standard they think is necessary. Linfox have a huge industry through places like Vietnam now; they are going to want to make sure their truck drivers qualify to the standards they require. In terms of a global economy, those questions of trade and skill standards become much more important and, as you know, much of the equipment is guaranteed or ensured on the basis that the people operating it are trained to quality. It is interesting; there is a lot of interest in our VET qualification and training systems and I think there are opportunities there for providers. I had a conversation with the Mongolian minister when the Mongolian Prime Minister visited. When you think about it, they have Australian miners in Mongolia, so these issues are confronting them.

Senator MASON: As you and I have often said, the university sector is Australia's largest services export. It is big. I know I am not allowed to say this, but it is a very big industry, it is a big business. How big is VET in terms of foreign students coming in to study?

Mr Shreeve: It is not as big as the university sector, but there has been significant growth. We could take that question on notice.

Senator MASON: Would you take that on notice?

Senator Chris Evans: It is really for the department. I will get the department to answer that.

Senator MASON: I would be interested in that.

Senator Chris Evans: Some people would say it is smaller as a result of me being immigration minister. But we will deal with that with the department, if you do not mind, because Mr Walters will have the figures.

Senator MASON: That would be useful. The minister flagged this before but you conclude by saying new directions should include:

- the realignment of jurisdictional governance and service functions based on a clearer distribution of responsibilities between the Commonwealth and the states and territories
- the introduction of a simplified and streamlined national regulatory policy and legislative framework for the apprenticeship and traineeship system
- the introduction of a nationally consistent nominal hours of training required for qualification ...

and so forth. Without getting into the political debate again, Minister, because we will disagree, certainly for the opposition the big difference between the university sector and VET was funding, and you would know this. I think it is fair to say states contribute about two per cent of funding to universities, roughly.

Senator Chris Evans: Universities will tell you they take more back in payroll tax so that they are net supporters of governments.

Senator MASON: There you go, whereas, clearly, the VET sector is quite different. That is where the opposition would be coming from, and there is a stronger argument for

competitive federalism, I suppose, in the VET system. I thank you, Mr Shreeve, although I do notice the report concludes, and I can only concur with this:

The Australian VET sector is generally considered both complex and not readily comprehensible to clients. It is unnecessarily difficult for clients to access and navigate and difficult for others, including policy makers, to understand.

I agree.

Senator Chris Evans: They were too polite to put 'minister' in that list of people, but I can assure you I am one of them. It is overly complex.

Senator MASON: Very difficult. Thanks, Mr Shreeve, thank you, Minister.

Senator NASH: On regional migration program: was that something that came within consideration in your area as well—the 16,000 migrants, the skill shift?

Mr Shreeve: No. We just do the skills occupations list on a national basis.

Senator NASH: Thanks.

CHAIR: Thank you to Skills Australia.

Australian Learning and Teaching Council

[09:40]

CHAIR: The Australian Learning and Teaching Council.

Senator MASON: Minister, you know I do not agree with your decision on this and I think it is a bad decision but we are not in government so it is yours to make. However, can I refer to question on notice about the evaluation of the effectiveness of the ALTC. Question on notice EW0907_11 that was taken on notice at the February estimates.

Senator Chris Evans: Yes.

Senator MASON: It was regarding evaluations of the ALTC prior to the government's decision to abolish it.

Senator Chris Evans: I would be careful whether we are going into a question that really the department will need to answer for you rather than Dr Nicoll.

Senator MASON: Dr Nicoll may need to answer some of these. There is a miscellany of questions, Dr Nicoll.

Senator Chris Evans: Because the department is not here because of the—Dr Nicoll is appearing for the agency I am just conscious that—I am not trying to stop you at all but some of that sounded more like a question for the department. So maybe you might want to distinct what you want to ask Dr Nicoll. Unfortunately we have to do it twice because of the way agencies come before the committee.

Senator MASON: It is difficult because in the past I have mixed them up between both Dr Nicoll and the department. We cannot do that again, Minister? That is how we did it last time; it made it much easier. Ms Paul was at the table.

Senator Chris Evans: I am happy if the Chairman is happy to bring an officer from the department or the secretary forward and we can—by having said that she has run out on me. Yes, the going gets tough and she has ducked out but I am sure we can bring someone for the department and that might—I agree I would rather do it once than twice.

Senator MASON: It relates to—there is Ms Paul.

Senator Chris Evans: Senator Mason was threatening to ask a question that involved the department and Dr Nicoll so we thought we would both—

Ms Paul: Good.

Senator MASON: Like last time, Ms Paul, I asked—the minister is right in the sense that I am asking questions that one will relate to the ALTC but also within the purview of the department in terms of internal reviews if I might.

Ms Paul: Sure.

Senator MASON: Can I refer to a question on notice that I asked at the February estimates regarding evaluations of the ALTC prior to the government's decision to abolish it. Is it correct to say that, between August 2008 and January 2011, when the government decided to abolish the ALTC, no review of any kind was undertaken either internally or externally; rather, it was a decision made to save money? Is that right, Ms Paul, because in August 2008 I understand an independent review was undertaken by Professor Kwong Lee Dow.

Ms Paul: I think that is right. I think we touched on that last time.

Senator MASON: Am I right in what I am suggesting here?

Ms Paul: I think, Dr Nicoll, you confirmed that there had not been anything before then, had there?

Dr Nicoll: No, Senator, there had not. We have conducted internal evaluations of our programs and those have yielded responses which we and the board have responded to in the way that we have changed our programs. We have done those since Professor Kwong Lee Dow's review but I am not aware of any other evaluation.

Senator MASON: You mean any other external evaluation?

Dr Nicoll: Correct.

Senator MASON: Your internal evaluations: what was their conclusion in terms of the utility of the ALTC?

Dr Nicoll: They were focused on particular aspects of our programs and the last one that was conducted was very positive about our grants program. We responded to that and, where there were issues that stakeholders raised, the board made changes to our programs to accommodate those.

Senator MASON: Correct me if I am wrong, professor: the independent review by Professor Dow recommended that no major change to the mode of operation or focus of the ALTC be made. That is right, Dr Nicoll, is it?

Dr Nicoll: That is correct. It was commissioned at a time to feed into the Bradley review and Professors Bradley and Kwong Lee Dow supported the continuation of the ALTC in its form as it was then in 2008.

Senator MASON: Despite all my failings, Dr Nicoll, I have very good staff, you see—

Senator Chris Evans: You are not prepared to list them—

Senator MASON: I have very good staff. The Bradley review endorsed the conclusions of Professor Dow and it says on page 77 of the Bradley review:

The panel supports his conclusion and agrees that the council should continue to play a significant role in the further improvement of Australian higher education teaching and learning.

That is right, isn't it?

Dr Nicoll: I do not have the—I trust that you are quoting appropriately, Senator.

Senator MASON: I always do, as Ms Paul knows. That is what the Bradley review reported, so both Professor Dow's external examination of the ALTC and the Bradley review itself, both were robustly in favour of the continuation of the ALTC, is that right?

Dr Nicoll: You have read out the words that Professor Bradley used and Kwong Lee Dow's words were similar.

Senator MASON: The minister and I have had so many fights about this but I can I am going to lose because, Minister, my sense is that, with a large influx that the government's own—from January next year, with the uncapping of places, I think roughly over the next four years the government thinks that there will be just under 50,000 more undergraduate students?

Senator Chris Evans: Yes.

Senator MASON: It is an estimate, I know, but is the best we have. With all those students coming on board it strikes me as totally counter intuitive to abolish the ALTC now.

Senator Chris Evans: I understand your view.

Senator MASON: You think I am wrong, but I do not.

Senator Chris Evans: My advice to you is the decision has been taken, it has not been reversed. The world has moved on and I do not at all challenge your right to focus on the issues but we are putting in its place the new tertiary education quality and standards agency which will provide a single national quality agency. There is a range of other measures which I will not run you through and you also will be aware that I recently announced—having announced that we would retain a provision of \$50 million in project and award funding over the forward estimates, we have appointed Ms Alison Johns, an executive, to listen to higher education perspectives on current teaching and learning grant and award programs and provide advice to government. What I am saying to you: we have moved on, the decision has been taken and in the budget context—sorry, the response to the Queensland Floods Economic Statement. The government is not going to reverse that decision but we are trying to seriously deal with the issues.

Senator MASON: I am trying to help you, Minister, to get them to reverse it. I am helping you. I just want to be counterintuitive, you have all this to get through.

Senator Chris Evans: No, I understand your view.

Senator MASON: A lot of backgrounds are wanting to come in and the government is encouraging that, and good on them, and yet, we are cutting what has been a premier learning and teaching institute in the world. We will get to the savings measures in a second. I find it counterintuitive; I do not understand it. I smell a rat somewhere, Ms Paul, somewhere in the bureaucracy and I do not know where it is.

Ms Paul: That is pure speculation on your part.

Senator MASON: It is contrary to my intuition.

Senator Chris Evans: We are providing the \$50 million in project and award funding. We are trying to manage down the organisation, and Dr Nicoll is doing a good job in that regard, and we have got the review by Ms Alison Johns occurring. We are moving on to deal with the future arrangements and to make sure we provide quality teaching and learning and we can argue this through again but—

Senator MASON: Sure, but I have to give it one last run through. I know, but it is appropriate to do this one last time.

Senator Chris Evans: Sure.

Senator MASON: We spoke about evidence based research before in the context of Mr Shreeve and the Skills Australia. Here, all the evidence is that the ALTC is a positive in terms of teaching and learning in tertiary institutions. That does not stack up. In terms of the fiscal savings, let's see if it does help fiscal consolidation and how much. How much has it cost to close down the ALTC in total net terms; do we know that? You have to justify it. If you cannot justify it any other way with doing it fiscally, let's see how much we are going to save?

Dr Nicoll: I cannot speak about the broader context. I can speak about the winding up of the company, and I am happy to speak to that if you have questions in relation to that.

Ms Paul: The saving, on the other hand, is already taken. The wind-up of the company will occur within the company's resources as they remain. The saving has been made and so we can go through that if you like, but the wind-up of the company will happen within—we are working very closely with Dr Nicoll obviously and her people.

Senator MASON: I understand that. Dr Nicoll, what can you tell us about the cost of closing the ALTC?

Dr Nicoll: There are wind-up costs involved in closing a company. There will be costs in relation to the liquidation process because we are a company that needs to be deregistered and we have taken our owner—the minister has given his approval for that to be done through liquidation. There will be costs in the appointment of a liquidator. There will also be additional accounting costs in terms of the financial reporting that is required to wrap up the company by the end of the year and there will be costs in relation to staff termination payments.

Senator MASON: Staff termination payments?

Dr Nicoll: There will have to be redundancies paid. There is a significant cost associated with the lease but I am very optimistic, and the negotiations that I am conducting currently point to this, that we will probably get out of the lease and that we will save that money.

Senator MASON: Just going to the lease, commercial enterprises are not my speciality, Dr Nicoll, but let me try. There is a lease and the ALTC is breaking the lease?

Dr Nicoll: We will. There will be a breaking lease cost if we cannot get another lessor.

Senator MASON: How much will that be?

Dr Nicoll: That would be \$3 million if we could not get a lessee. We have been proactive since the announcement and enlisted real estate brokers. We are currently negotiating about that and I am very optimistic that we will be able to lease the premises probably from October, and if not from October then from later this year, and that will reduce the cost of that considerably.

Senator MASON: It is \$3 million if it is broken and you cannot find another tenant?

Dr Nicoll: Correct. The \$3 million is the worst case scenario.

Senator MASON: Worst case—and it will be something less than that?

Dr Nicoll: That is right. That is what we built in. The figures we put into the PBS are estimates based on a worst case scenario, but we are doing everything we can to actively manage that so that the risks associated are minimised. I am optimistic; I think we will be able to lease the premises.

Senator MASON: Did the ALTC lease any equipment?

Dr Nicoll: Yes, we have. Most if it we are managing through the cycle because we have had the benefit of a reasonably long wind-up notice. There will be a couple of things—at a level of detail, the photocopiers and Telstra, which we need to—

Senator MASON: Can you give a consolidated figure, Dr Nicoll, about how much that might cost?

Dr Nicoll: Yes, I can. It is minor. I think it is in the range of about \$40,000. It is a very small amount of money. If you want more detail I can get you the precise information.

Senator MASON: No, I think we will leave it at that. What is happening with the refurbishment of facilities at the headquarters in Sydney?

Dr Nicoll: Rather than selling the fittings, we are trying to negotiate that we lease it with fittings. That is the basis on which I am negotiating at the moment, so that there does not have to be a sale of the assets, and by doing that it also means that we do not have to refit the premises were we to break the lease. We are looking to minimise all of the costs that we can to the company.

Senator MASON: I am looking at page 53 in your report. You have written in the second-last paragraph:

The significant increase of \$1.059 million in plant and equipment is attributed to leasehold improvement for new premises.

Is that right, just a bit over a million dollars?

Dr Nicoll: Yes. That occurred before my time but there were improvements that had to be made to the premises when the lease was originally taken out.

Senator MASON: Just over a million dollars?

Dr Nicoll: As I understand it.

Senator MASON: What is happening with the ALTC staff? You touched on this last time, I recall?

Dr Nicoll: We have been working very closely with the department in what has been a very amicable relationship in a transition team. The department has offered that up to 10 of the ALTC staff who were managing programs and grants will be offered permanent positions with DEEWR. They have come to an arrangement which really does suit us and is custom-made for the ALTC staff in that they are setting up a branch in Sydney that will answer to Mr Hazlehurst in Canberra, and the department can speak to that. But up to 10 of my staff will have the opportunity to transfer to DEEWR. As to the remainder of my staff, I have made two staff redundant.

Senator MASON: I am sorry, Dr Nicoll, you are just ahead of me a bit. Ten are transferring to the department; is that right?

Dr Nicoll: Correct. Up to 10 will transfer to the department.

Senator MASON: How many staff are there?

Dr Nicoll: At the time of the announcement there were 35; there are now 31. I have made two people redundant already. Two contracts I have not renewed. Up to 10 will have the choice to transfer to DEEWR. Sixteen people will be made redundant at the end of September, and then there will be a team of five people who will stay with the company until December, when the liquidator is appointed, and the end of the ALTC will be at the point of the liquidation.

Senator MASON: Will those five people then become redundant?

Dr Nicoll: Yes.

Senator MASON: We have got 21 becoming redundant. How much will the redundancy payouts cost?

Dr Nicoll: We have not got that finalised yet because there are details in relation to the choices that people make, so I cannot give you a precise figure.

Senator MASON: This is from page 222 of the portfolio budget statement of DEEWR.

Dr Nicoll: Yes, I have a photocopy of it.

Senator MASON: It says, 'The budget result for 2011-2012 is an operating deficit of \$8.933 million,' so it is nearly \$9 million?

Dr Nicoll: That is correct.

Senator MASON: It further says:

The operating deficit is attributed to the wind up costs, grant payments in respect of prior year commitments, and staff termination payments.

So just under \$9 million is the best estimate we have, is it?

Dr Nicoll: That is correct. Although there are some staff benefits that are also in the employee benefits line. You will see a line where that is explained on page 229, where it says, 'Employee expenses in 2011-2012 represent staff salaries and staff termination payments.'

Senator MASON: How much is that?

Dr Nicoll: As I said, I cannot give you a precise figure. We have an estimate of that at this point.

Senator MASON: There are other termination costs?

Dr Nicoll: Staff termination payments. The \$8 million represents—it is important to remember it is an operating deficit. This will be met within the cash reserves of the company. It is because of the timing of our payments and the fact that we run programs on a calendar year but we receive money and report on a financial year. We will be receiving \$13.1 million from DEEWR in August but we have, beyond that, payments in relation to grants because our grant payments go over two years. There is some complexity in the way that works but the total in terms of the operating deficit will be, as we put, around \$8.9 million.

Senator MASON: The wind-up cost of \$3.565 million is made up of the lease break costs for office space, office equipment and liquidation costs.

Dr Nicoll: Yes, but that is the worst-case scenario.

Senator MASON: Yes, you mentioned that.

Dr Nicoll: I am very optimistic that it will not be that much. That means that at the end of the company we will be returning money to DEEWR. I estimate that the amount of money we will return, if we cannot get the lease, will be around \$7.8 million; if we are successful, as I think we will be, then I estimate we will be returning around \$11 million to DEEWR at the end of the process.

Senator MASON: I understand that, but the winding-up of the ALTC is not a cost-free exercise, I can see. It is going to cost over \$10 million, nearly certainly. Isn't that right?

Dr Nicoll: There are costs associated with it, yes.

Senator MASON: You would say it would very likely be over \$10 million?

Dr Nicoll: There are costs associated and they are the worst-case scenario—

Senator MASON: It is at \$8.933 million, so it is nearly \$9 million. You are quite right; the \$3.5 million is a worst-case scenario, but if you have office equipment and liquidation costs it is getting very close to \$10 million, isn't it, at best?

Dr Nicoll: Yes, it will be.

Ms Paul: Do we need to be clear, Dr Nicoll, about the difference between the operating deficit and the wind-up costs?

Dr Nicoll: That is true.

Ms Paul: The senator, I think, is going to the literal costs of the leases and the staff, which you have gone through, not the grant effect—the grant effect is irrelevant to the wind-up.

Dr Nicoll: Ms Paul is correct.

Ms Paul: I would be concerned that \$10 million does not actually represent the costs of the staff redundancies and the lease costs.

Dr Nicoll: That is absolutely correct. The operating deficit includes around \$5 million, which is about grant commitments; so if you are looking at it in the way you are, the real costs would be the \$3.5 million, plus whatever the staff termination payments are. I anticipate that the winding-up costs would be more like \$5 million, at the maximum.

Ms Paul: I understand that is at the max, depending on your subleasing arrangements.

Dr Nicoll: That is correct.

Senator MASON: Thank you. Let's go to other costs around the \$5 million.

Ms Paul: Not necessarily—sorry, just to be absolutely clear. Five million, by the sound of it, is a way outer envelope and Dr Nicoll has already said that she is having some success on the subleasing.

Senator MASON: Maybe \$4 million, but it will be somewhere there.

Ms Paul: I'm sorry?

Senator MASON: If it is not five, it will be four. It depends upon what happens with the leasing, doesn't it?

Ms Paul: That is right, so you cannot say five.

Senator MASON: Yes, but we do not know.

Ms Paul: You cannot say one.

Senator MASON: It could be over five.

Ms Paul: I do not think you can say that. It is important to be clear that it is just not known because the staff redundancy costs are not known and the lease costs are not known.

Senator MASON: Hold on, Ms Paul. I said it could be up to five; I think you can say that.

Ms Paul: I am not sure you can. It is a speculation; I do not think you can go there.

Senator MASON: The public will make up their mind up about that.

You wrote a very nice letter to me, Minister, about the closing of the ALTC. It was a delightful letter, and you mentioned that you have appointed a British international expert to guide the transition of the ALTC programs into the department. How much is Ms Johns going to cost?

Senator Chris Evans: I will get one of the officials to help. I do not know her but she was recommended to me as having done quite a lot of work in Australia previously. One of the officials can take you through the details. Mr Hazlehurst, is it yours?

Mr Hazlehurst: Yes. We are still negotiating with Alison Johns on the precise terms of the arrangement for her doing the work, but it is a consultancy arrangement.

Ms Paul: It is a consultancy; she is going to operate between July to September. Her main functions will be undertaking consultations and giving some recommendations, including, of course, drawing on her own background, from HEFCE in the UK. They are straight consultancy fees but, as Mr Hazlehurst says, we are still negotiating her fee.

Senator MASON: We have not got an hourly rate yet—we do not have any of that yet?

Mr Hazlehurst: We are still negotiating.

Ms Paul: I imagine she would come on the normal consultancy daily rate, rather than an hourly rate, but, at any rate, we are still negotiating.

Senator MASON: That is another cost.

Senator Chris Evans: It will be public; it will show up in the consultancy list that you enjoy reading.

Senator MASON: Minister, in your press release, 'UK international expert to guide ALTC transition,' you say that the terms of reference for Ms John's appointment require her to consider, among other things, the success of the programs offered by the ALTC. Given that the last external examination of the ALTC, plus the internal examinations of the ALTC, were overwhelmingly favourable, and now the decision has been made—I am told, irrevocably—to abolish the ALTC, why are we having a review by Ms Johns into the success of the programs?

Senator Chris Evans: I will let the officers supplement my answer, but I think you would also recognise that the government announced that we would continue the provision of \$50 million in project and award funding over the forward estimates; so, part of the consideration will be about the programs, if you like, rather than the organisation.

I was relatively frank with you last time. I understand the concern in the sector about the decision, I know a lot of people were concerned about that, and it is the concern you have reflected at these estimates. This is one of the ways we have sought to respond to support quality learning, teaching initiatives and programs. Part of her work will be working through to ensure that the stakeholders are comfortable with the new structures and feel there is appropriate guidance. As you know, one of the issues of concern was whether the role ought to be controlled inside the department. Obviously, that is one of the issues that we will get approached about by stakeholders. That will be a free and frank debate, no doubt. That is part of her role: to listen to those issues, to take onboard their views and to provide advice.

Ms Paul: It is important for us, obviously, in taking on the functions. These functions are not ceasing, that is a very important point: the grants and awards functions continue. It is important for us to sustain the good legacy of ALTC, in fact. We do not argue with that, and this consultancy will help us do the best we can to sustain that legacy and to administer grants and awards previously administered by ALTC in the best possible way for the future.

There are new things in the higher education area now which were not in existence when, for example, Professor Kwong Lee Dow did his review, and they are, for example, the performance funding that is going to be available, a focus on quality and, of course, TEQSA itself. The minister spoke about them before, but we need to be clear in our administration of what ALTC has had that not only do we do the right thing by ALTC's work but we also fit in well with these new initiatives which are in the area.

Senator MASON: I understand that, but, I am labouring the word, it just seems counterintuitive to again be assessing the ALTC when it is—the programs after it—

Ms Paul: It is not an assessment of the ALTC with this consultancy. This consultancy is, in effect will assist us to—

Senator MASON: It says a success in the media release, that is what it says.

Ms Paul: Sure, but the purpose is, broadly, to assist us to do the best we possibly can in our future administration of these programs.

Senator MASON: It must be my legal training, Ms Paul, I read it and think that is what it means but obviously there is a—senior public servants—

Ms Paul: I am not necessarily disagreeing with you but I am trying to explain the broad context of it.

Senator MASON: Ms Johns, I am sure she is well qualified, but what expertise does she have that Dr Nicoll and her staff do not have? What makes Ms Johns so special that Dr Nicoll and her staff cannot perform those tasks?

Mr Hazlehurst: Perhaps if I could just provide a little more context for you. The media release from the minister paraphrases the terms of reference themselves. The terms of reference make it very clear that it is intended to be a forward looking examination; in other words, picking up the best things from the current arrangements and ensuring that, if there are any opportunities, based on the advice of the sector, for any refinement or rebalancing that the government has the benefit, the minister has the benefit, of that advice from the sector.

Ms Paul: We should be clear here, Senator, that this is not a review of the ALTC. I am not sure where you were quoting from when you suggested it was. It is, as Mr Hazlehurst says, a forward looking review building, indeed, on the positive legacy of ALTC.

Senator MASON: It is the minister's media release dated 17 May, second paragraph on the third page:

A consultant will consider the suite of programs offered by the ALTC, the success of the programs, how they are administered and the level of sector support.

Ms Paul: Yes, that is of the programs. It is not a review of the ALTC; and I want to make that clarification. It is not a backward-looking review or an evaluation.

Senator MASON: But it is the success of the programs that is administered?

Ms Paul: Sure, and that is important for us to look forward to—perhaps I am splitting hairs and I do not mean to but I would not want the record to suggest—

Senator Chris Evans: I hope I did not put out a six page press release; I assume it is an attachment to the press release?

Mr Hazlehurst: Yes, it is the terms of reference that is—

Senator MASON: It is the actual terms of reference you are referring to?

Ms Paul: Yes, and I will just make the point I made: it is not a review.

Senator MASON: I am not sure that actually helps, Minister; it makes it worse. The terms of reference are about the suite of programs offered by the ALTC, the success of the programs, how they are administered and the level of sector support. We know that. This has been assessed before.

Ms Paul: We think she will offer an independent view offering some expertise from the UK which will help us move forward. Of course she will collect all those views which you and the minister has heard, and we have and Dr Nicoll has too, and yet it is useful, perhaps for that very reason, to have some external perspective.

Senator MASON: Every time I hear 'moving forward' I start to cringe. It worries me when I hear 'moving forward'; these days.

Ms Paul: I did not even notice myself saying it. If I did, there it is.

Senator MASON: Ms Paul, what you are asserting is that Ms Johns will be able to do this forward looking report more ably than Dr Nicoll and her staff?

Ms Paul: I would not say that at all. Dr Nicoll has done an absolutely splendid job. I entirely pay credit to her. Dr Nicoll comes out of my department. We know each other well. I would never ever go to such a view.

Senator MASON: Hear, hear! In terms of the programs that you mentioned, Ms Paul, I have the ALTC budget statement—there are five programs; aren't there? Mr Hazlehurst, you would be on top of all this gear?

Mr Hazlehurst: That might be best directed to Dr Nicoll.

Senator MASON: Dr Nicoll, grants, fellowships, awards, learning and teaching academic standards and engagements?

Dr Nicoll: That is correct.

Senator MASON: That is right?

Dr Nicoll: There are fellowships, we have an innovation and development grant program, leadership grant program, fellowships. We have two awards—national awards and citations—and we also have other activities and projects that we run, such as the learning and teaching academic standards project, yes.

Senator MASON: Will all those programs be picked up by the department?

Ms Paul: Yes, the \$50 million goes to these grant and award programs, that is right, and then it is up to us to continue them, change them according to what Dr Nicoll advises and Ms Johns advises and so on and so forth, but the commitment is to continue the grants and awards via the department.

Senator MASON: As you know, Ms Paul, I do not like these portfolio budget statements very much because I find them very hard to understand, however, I am told that I have to learn. I have to get on top of them—detail not being one of my—

Senator Chris Evans: I blame the Howard government's adoption of accrual accounting, myself.

Senator MASON: It is not my forte, I have to say, I do my best.

Senator BACK: I could understand them beforehand and, after that, I am told it is a much better system. As an opposition senator, I never found that.

Senator MASON: I will take advice from you, Senator Back, and perhaps you can help me here. When ALTC's grants and awards functions are transferred to the department, how will they be presented in the portfolio budget statements and budget papers? In other words, will they be identified separately?

Mr Hazlehurst: Yes.

Senator MASON: Even I will be able to find them?

Mr Hazlehurst: That is my understanding.

Senator Chris Evans: They will be there. Where you will be able to find them is a separate question which I think Mr Hazlehurst could not possibly answer.

Senator MASON: It must be here somewhere, but the transfer of the ALTC's functions into DEEWR, is that accounted for in the current forward estimate?

Ms Paul: It is because the savings will be clear. I am not quite sure where it is in the PBS.

Senator MASON: The savings. Yes.

Ms Paul: Perhaps somebody can help me out there too but—

Senator MASON: Ms Paul, if you are not on top of it, how could I possibly cope if you cannot point directly to it? It is there, is it? Are you an economist by training, Mr Hazlehurst, do you know all this sort of stuff?

Mr Hazlehurst: I regret, Senator, that my marked up copy of this is not here now. I was planning to have it with me this afternoon when you would be questioning the department.

Senator MASON: 'A marked up copy'; I only have a marked up copy of the Constitution, Mr Hazlehurst, not of the PBS, sadly.

Mr Hazlehurst: I cannot immediately put my finger on those items.

Ms Paul: We will get it out for you.

Mr Hazlehurst: I am very happy to do so during the course of the day.

Senator MASON: Because you are coming back, so perhaps—

Mr Hazlehurst: That is right and I did not bring my copy with me.

Senator MASON: That is all right. Could you have a look at and we might go back to it later on.

Mr Hazlehurst: Yes, of course.

Ms Paul: For clarification, I thought there was something here. The reason why it is not seen—for example, it could have been seen as a measure in here, Budget Paper 2 where the measures are, it is not because it was a measure taken in—it was a decision taken in MYEFO, that is why it is not here. In the PBS it is part of grants in the higher education sector and so it does not show up separately, so we probably need to think about how we make clear in the PBS where it is because it just shows up as grants. Because it was not a decision in budget, it was a previous decision, it is not showing in as clear a way as it might have.

Senator MASON: Just going back, so it is a grant in higher education?

Ms Paul: I might ask the CFO to take you through it because like you, Senator, I could not claim to be an accountant or an economist.

Senator MASON: If you do not have it on your fingertips, Ms Paul, I feel much better about myself.

Ms Paul: I am glad.

Senator MASON: Mr Storen, can you help us here?

Mr Storen: If we think about current arrangements, the funding for grants to the ALTC are already appropriated through DEEWR's books and it is a component of the quality initiatives program line in the higher education budget statements. Page 89 of the PBS has a small paragraph about it.

Senator MASON: You will have to help me here, Mr Storen. This is going to be ugly, I think.

Mr Storen: If we want to follow the money, we will go to page 90 first. In the financial table, about halfway down, you will see a line called 'Quality initiatives'. There is a range of grant funding through there that covers a variety of payments. It talks about providing operational funding and specific project funding to a range of organisations with responsibility for elements of quality assurance and so forth in higher education. The ALTC is part of that though it is not specifically separated out. We are more than happy to take your comments onboard and, in the future, disaggregate the funding that becomes the ALTC in the DEEWR form.

Ms Paul: We could probably show a grants and awards line, potentially.

Senator MASON: It is not just me that could not find it; my staff, who are very good at this sort of thing, could not find it either.

Ms Paul: It is not the only instance, I must say. We have been there with schools too, where things are rolled up. It is understandable because of the way appropriations are made legally, obviously, but sometimes it is a bit opaque. I take your point. As Mr Storen said, I am

quite happy to consider how we might show it in a clearer way but still keep the integrity of the overall appropriation which needs to be maintained in the portfolio budget statement.

Senator MASON: Did you have your noted-up copy, Mr Hazlehurst?

Ms Paul: I am sure Mr Hazlehurst would have it in his marked-up copy.

Mr Hazlehurst: I am very confident that I do.

Senator MASON: My staff and I could not find it. I do now see what you are saying but that is, to use your words, Ms Paul, a bit opaque.

Ms Paul: Yes, and it is not the only place; it is just because of the nature of how appropriations are created.

Senator MASON: Will the number of awards and citations and their monetary value be different from current levels, under ALTC, in the department? Do we know that?

Ms Paul: In what way do you mean?

Senator MASON: In terms of the awards. Is there any proposal to change the value of the awards?

Ms Paul: We acquire the full suite of grants and awards from ALTC just as they are. Whether there are future changes, that is an entirely unknown; there are no particular plans, that I am aware of, at least, for that, but—

Senator Chris Evans: There is no agenda as part of the process.

Ms Paul: There is no particular agenda, that is right.

Senator Chris Evans: I am not saying it will not change in the future, but it is not part of this process and it is not something I have ever given consideration to.

Ms Paul: I would not rule out continual improvement, if there is improvement to be made, but that is not the plan; the plan is to take on the awards and grants. But, of course, Ms Johns may inform that sort of consideration too.

Senator MASON: I appreciate that. At the moment, the citation is from the ALTC. In the future, will it be from the department?

Ms Paul: Yes, it is administered by us.

Senator MASON: I want to ask a question about the ALTC's program 1.4, which is set out on page 219 of DEEWR's PBS. It says:

The ALTC program outcomes in this area may assist the work of the Tertiary Education Quality and Standards Agency in the context of the new quality and regulatory arrangements for higher education.

As the minister is aware, TEQSA is something that the opposition is interested in, and I hope it is something that elevates and protects the quality of Australian universities. How is that interaction proposed to work? I suppose it is a question for Dr Nicoll, really.

Dr Nicoll: I have been talking with Professor Bradley and Mr Hawke, the interim leaders of TEQSA, and I know that the outcomes from the Learning and Teaching Academic Standards project have informed their thinking. You would be aware that there are a number of elements to the new standards framework that TEQSA will administer, and one of those is learning and teaching standards. They have been looking at the outcomes from our project in terms of whether they are going to be useful for that process. Our project identified threshold learning outcomes in a number of fields of study—nine of them, ultimately—and they have

been created by extraordinary collaboration in the academic community. It is a matter then for TEQSA, into the future, how they are going to use either threshold learning outcomes or some other format. It was never intended to be the final way of operating; it was a pilot project.

Senator MASON: I understand that.

Dr Nicoll: DEEWR funded us to explore a way of doing it. It will be up to TEQSA how those standards are going to be created into the future and they will have a very good foundation in what the discipline scholars in the ALTAS project have achieved in their work.

Ms Paul: While Dr Nicoll was answering that question, my good people were having a look at page 90, table 2.3.1. I am advised that 'Promotion of excellence in learning and teaching in higher education,' points towards the ALTC. Mr Storen might be able to go a bit further. We just had not found it before.

Mr Storen: That is the grant funding for excellence in teaching and learning, once it becomes a DEEWR operation.

Senator MASON: It is not quality initiatives though?

Ms Paul: We are still correct where we were about the overall operations being rolled up. Perhaps I will ask Mr Storen to explain what this shows.

Mr Storen: The program arrangements of ALTC become a DEEWR grant process once the ALTC finishes operations at the end of the current calendar year. At that time it becomes grant spending of DEEWR itself and that is what that line there shows. You will see it is \$7 million in the first year and 14 in the second; so it is a half-year effect in the first year, rolling through. That is the ALTC programs in their DEEWR form from January 2012.

Senator MASON: In the description before the table, there is nothing, is there?

Mr Storen: We have not got a dot-point paragraph for that line yet. As we said before, we will take that onboard and that will be included in future.

Senator MASON: It is not the quality initiatives stuff, is it?

Mr Storen: In ALTC's current state, they are paid by DEEWR, out of that quality initiatives line.

Senator MASON: I knew this was going to be a horror, Ms Paul.

Ms Paul: It is because of the transition—

Mr Storen: If you look at the current year, with \$29 million out of quality initiatives, a portion of that goes to the ALTC for the ALTC to do its work, and then it reduces into the next year, which means the transfer to DEEWR during the course of the financial year. This is one of the intricacies of separate agencies that are not FMA agencies in their own right; they cannot actually receive appropriations, so their money needs to be passed through an FMA agency. Hence, the arrangement of us appropriating it and then passing it to the ALTC.

Senator MASON: Mr Storen, you and I are never going to swap jobs for a week.

CHAIR: I think we will break there for morning tea. We will suspend until 10.45.

Senator MASON: Chair, I have just two questions. If they could be taken on notice, that would finish it. Would that be all right?

CHAIR: Go on.

Senator MASON: It is the question on notice, EW0914_11:

I ask you, Ms Paul—I know you will correct me if I cannot answer(sic) this question but I flag it because it is on the borderline. Did the department provide any advice to the minister regarding the future of the ALTC in the last two months?

Ms Paul, you said, 'I will take it on notice.' The answer is, 'Yes.'

Can I ask, was it a brief to the minister personally or his office, was it provided before or after the cabinet decision to abolish the ALTC was taken in January 2011?

Ms Paul: I will take that on notice.

Senator MASON: Also question EW0906_11, my question taken on notice at the February additional estimates, regarding the total amount spent per year on teaching learning. Could you please provide this figure, excluding the HELP loans provided to students? I did not make that clear in my question.

Ms Paul: I see.

Senator MASON: It is my fault. Would you take that on notice as well?

Ms Paul: Yes.

Senator MASON: Thank you, chair.

Proceedings suspended from 10.31 am to 10.48 am

Department of Education, Employment and Workplace Relations

Senator NASH: Can we start with the VET staffing? What is the staffing level within the department dealing with VET matters?

Ms Paul: It is in the hundreds because—perhaps some of my colleagues can offer more detail—the national office has two functional groups that focus particularly on vocational education and training.

Senator NASH: What are the two groups?

Ms Paul: There are two functional groups that focus on vocational education and training, one run by Mr Maynard, who is here, and one run by Ms Sakkara, who is here. We also have vocational education and training staff in our state and territory and some district offices. Those people work directly with providers, TAFEs and so on and administer some of our programs. Many of the programs that you see here on the program would be administered out of those groups in national office and they run to the hundreds of staff.

Senator NASH: Could you take on notice to perhaps give a bit more clarity around that?

Ms Paul: Give you a sense of that?

Senator NASH: Yes, that would be useful and the breakup—

Ms Paul: I will give you the regional breakdown too, if you would like.

Senator NASH: That would be really useful.

Ms Paul: Sure.

Senator NASH: The two functional groups that you were talking about that are run nationally, I think that was the phrase you used—what do each of those do and what are their responsibilities?

Ms Paul: Sure. In short, they are responsible for advising government on both vocational education and training policy and on delivering a range of programs like the Apprenticeship Incentives Program, all the many programs in Vocational Education and Training, whether they be the agreements with the states, the new budget initiatives implementation, our longstanding apprenticeship incentives to employers arrangements, our data gathering arrangements and then, of course, people work with agencies. Skills Australia was here this morning; we have people that liaise with them. We have people that liaise with National Centre for Vocational Education Research, NCVER. We have people who focus on the liaison with industry, like industry skills councils and so on. I suppose like a normal department of state, really, but a big delivery department of state. We would have several focuses outwards. One is upwards to government in terms of policy advice, one is outwards into the community in terms of program delivery and one is out to the sector in terms of stakeholder engagement, and those would probably be the way I would paint the key roles. Mr Griew may want to add and I would welcome if he would like to.

Mr Griew: All of what Ms Paul just outlined is exactly right in terms of the topics on which the two different groups in the central office part of the department are responsible.

Senator NASH: Do those groups have names, by the way?

Mr Griew: Yes. Within national office there is a Skills Group. Skills Group has a number of specific topics that it is responsible for; the duties as the secretary just outlined. In broad, the Skills Group covers apprenticeship programs and policy, foundation skills—so language, literacy, numeracy other foundational access types programs—the infrastructure and related programs, equity programs, and so on, and a functional Trades Recognition Australia, which is an assessment program. The other group, which is called Tertiary Frameworks Group, the topics on which it focuses are industry programs, development, engagement, so things like the National Critical Skills Investment Program. It also runs the Productivity Places Program policy across the sector and student and provider focus programs, so student financing loans and so on.

Ms Paul: Would you like for me to send you on notice a picture of a functional org chart?

Mr Griew: Functional chart, yes.

Ms Paul: Probably be easier to be able to eyeball it.

Mr Griew: The last area of that second group is responsible—

Senator Chris Evans: I am sure that would be.

Senator NASH: Within those two groups is there a budgetary allocation or does the running of those two particular groups come from the general revenue?

Ms Paul: The base funding for running the whole department is over \$800 million a year. We are going through the process now, as we come up to the end of this financial year—and we do not know our finishing result yet for departmental—of trying to settle budgets for next financial year, firstly on a cluster basis, so that is the whole range of functions that Mr Griew looks after on that basis, and that would cover higher education as well, for example, and international education for Mr Griew, as well as indigenous employment and some other functions. Within that, each group would get a budget, yes.

Senator NASH: When do you think that might happen?

Ms Paul: It is being worked out now.

Senator NASH: Perhaps at the point when that is determined, if you would not mind providing that info to the committee, particularly as it relates to those different areas?

Ms Paul: These things change over time. What sort of slant are you interested in here, out of interest?

Senator NASH: I am interested, out of the whole pool of funding, when it comes to the delivery of these VET programs, what percentage of the overall budget, so it does not need to be a specific figure but I am just trying to get a sense of, out of the overall departmental budget, how much sits in the VET area.

Ms Paul: yes, that is really helpful. It will help you if I offer that on a kind of proportional basis.

Senator NASH: Yes, that is fine.

Ms Paul: You are just interested in the cost of running—like the staff or are you also interested in what proportion of the \$43 billion worth of programs VET programs represent?

Senator NASH: Both. So the percentage of staff that sits in this area.

Ms Paul: Yes.

Senator NASH: Then, as well, the appropriation for the delivery of the programs.

Ms Paul: The programmatic. Yes, it sounded like that when you said you wanted the proportionalities; that is fine.

Senator NASH: One of the things that gets raised with me—which I completely understand—is the VET sector as well as the higher education, university sector, so I am very interested to get a sense of within the department how this—

Ms Paul: I am glad you raised it. It is helpful to know what the representations are to you because it helps me respond. There is more staff working in the vocational education and training area in the department than there are in the higher education area and that reflects a number of things. It reflects that we use a distributed network approach to administering our vocational education and training programs.

Senator NASH: What does that mean?

Ms Paul: Yes, that was good bureaucratic language, wasn't it? What I mean is staff in our state offices which we do not use for higher education. It also reflects the number of programs in vocational education and training; there are more programs in vocational education and training. You will find more staff effort relative to higher education. On the other hand, of course, higher education, in a programmatic sense, is very expensive; billions and billions of dollars in both sectors. I will spell that out for you, if you like.

Senator NASH: That would be very useful, thanks.

Ms Paul: I do understand the nature of those representations but in the department you will find that the VET support—the staffing base—really reflects the number of programs and the amount of—

Senator NASH: The complexity, I would imagine.

Ms Paul: Yes, the size of the sector, all that sort of thing.

Senator NASH: In terms of the VET sector, do you have an ongoing tracking of current enrolments? I know it is a very broad question.

Ms Paul: Yes.

Senator NASH: Can you give a sense of the current enrolments in the VET sector?

Ms Paul: Yes, sure.

Mr Griew: There are a number of ways of measuring that participation. You can measure the number of students, and the National Centre for Vocational Education Research does all of these. You can measure enrolments. There is a data lag here so the 2010 data will become available just after the midpoint of this year, August, I think, or September. We have up to 2009. Some total student numbers have now been released by the national centre for 2010 but they are gross student numbers; they do not give us a sense of the intensity of activity in the VET sector because a student may do more than one course, for example.

Senator NASH: You have student numbers and then also the enrolment numbers which I understand then would mean a student might be doing two or three courses that would then come under the enrolments figure, is that correct?

Mr Griew: Yes, that is right. For example—and I will ask Ms Sakkara or other colleagues to add to this—the NCVER collection tells us there were 1.7 million VET students and just over 2 million courses in 2009.

Senator NASH: Do they break down as a percentage how many of the 1.7 million students are doing more than one course?

Mr Griew: The data I have does not calculate it but I will ask—

Senator NASH: I am happy for you to take it on notice. I am interested, out of that 1.7 million, how many are doing a single course and how many are doing multiples.

Ms Sakkara: We can calculate that from the data we have. We do not have it with us but we can take it on notice.

Senator NASH: That would be great, thanks. The 1.7 million in VET—how does that compare to, say, the previous three or four years?

Ms Sakkara: It has been growing over the last couple of years but fairly slowly. In 2007 it was 1.665; in 2008, 1.699; in 2009, 1.7. The early data that we have for 2010 is 1.8 million students.

Senator NASH: That is quite a jump. I was about to say 1.73 but it is a small lift from that! You are expecting a reasonably significant jump to 2010.

Ms Sakkara: Yes.

Senator NASH: What are you basing that on? Obviously, there has been a small increase over those years and now an expected significant jump, compared to the last three. On what are you basing that projection of that increase?

Mr Griew: We have student numbers for 2010, so we know student numbers for 2010, from our recent—

Senator NASH: No, sorry, I was not talking about the numbers. I am talking about the reasons. Sorry, I was not very clear. Have you any understanding of the reason for the increase?

Ms Sakkara: It is a 5.4 per cent increase. It is reflecting the additional investment that has been made in VET over the last few years that has particularly caught up in the last year or so.

Mr Griew: There is a national partnership agreement that has injected significant Commonwealth funding into the numbers.

Ms Paul: You also usually get an impact, as we have seen in higher education, of the global downturn too; usually enrolments will increase. That might be another reason.

Senator NASH: What is the link there, with the global downturn and the increase in—

Ms Paul: You find more people entering education if they cannot find jobs. That effect, of course, has gone now because we did not enter recession. We saw a slight kick-up; it is probably more due to the investment, as my colleagues say.

Senator NASH: Just the funding investment in the range of areas, from your perspective, would, very simply, encourage students and provide incentive to them to actually be part—

Mr Griew: Ms Sakkara gave you the figures for the increasing number of students. The number of course enrolments has increased just under 2 per cent a year. The average number of students has increased just under 1 per cent a year but the number of course enrolments, nearly 2 per cent a year. So what we are seeing is greater intensity as well, which is also, of course, one of the policy objectives.

Senator NASH: Have the enrolment figures at university kept increasing commensurately or have they declined at all, with the increase in the VET—

Ms Paul: They have increased.

Senator NASH: We will get to that later. In terms of the enrolment in VET, what percentage is coming through the TAFE sector?

Mr Griew: It is well over 80 per cent.

Senator Chris Evans: I think the commonly used figure is 80 per cent but it is slightly over it.

Mr Griew: I have a sectoral figure somewhere, which we can get you, but 80 per cent is a good approximation.

Senator NASH: If you can get me the actual figure at some point, that would be useful.

Senator Chris Evans: Skills Australia used the figure of 80 per cent this morning, when they were asked about it, but we will get a more definitive figure.

Senator NASH: That would be good. How does that compare to, say, the last three or four years?

Ms Paul: It stays relatively stable and has been for a long time.

Senator NASH: In terms of the RTOs, given that the percentages are obviously much higher for TAFE, what are the pull factors for somebody to want to be part of the RTO-type of thing rather than to be in the TAFE sector?

Ms Paul: From the student's perspective or the provider's perspective? You mean why would a student go to a private or—

Senator NASH: Yes. Why would a student choose to go there rather than TAFE? Has there been any work done on the reasoning behind the 20 per cent that choose not to go to TAFE?

Ms Paul: I do not know whether we have done research. My colleagues may know that and perhaps NCVET does, but what I do know, before I hand over, is that the offerings are a bit different, there is not a complete duplication between the two, as you might expect, of course, because anyone working for profit in the private sector will seek to carve their own niche out. You find a lot of the non-TAFE RTOs, the private RTOs, are focusing on things like commerce, business and accounting, and so on and so forth. A lot of the TAFEs are capital-intensive. The TAFEs will always tend to have, for example, the trades, where you have a full workshop fully kitted out with quite expensive equipment. You find a lot of people who are getting their qualification for, say, services, hospitality, say, might go through a private RTO because it is not capital-intensive, it might be closer to home. There will be a bunch of reasons why someone would choose. If you wanted to be a carpenter, you would, almost inevitably, end up working through a TAFE, not necessarily but pretty well—my judgment would be, you would end up going through a TAFE.

Senator Chris Evans: Some of them are employer or industry linked. For instance, I was at the Fiona Stanley Hospital site, the big new hospital in Perth, the other day, it is a massive construction project, I think it is the biggest ever conducted in WA, and the builders—it is Multiplex but they have got a new title, a Canadian name, in front of it now—are huge employers of construction workers and they have lots of electrical and other apprentices. They send their apprentices to a particular RTO that specialises in electrical matters, that is the company policy. All of their apprentices go there, so I guess they get better control, feedback, what have you. There are other RTOs that are specific industry-focused so they provide training for a particular industry and they specialise in that; some employers prefer them for those reasons. There is a sort of multitude of those. Of course, others are employer organisations, aren't they?

Ms Paul: Yes, that is true. Toyota would have its own RTO, McDonald's would have its own RTO.

Senator Chris Evans: I think ARG has got its own RTO.

Ms Paul: That is probably true.

Mr Griew: Some employment services are also RTOs. A client of one of the big integrated job services organisations may well choose to do a training program through that organisation because they are part of that organisation's clientele and have been through their whole journey. There is a range of reasons.

Ms Paul: Centrelink is an RTO, for example, and trains its own staff, in accredited training, through its own training organisation, because it has got more than 20,000 staff.

Mr Griew: A health department I used to run was an RTO; we used to train our own community health workers and upskill those staff on career pathways through the health system.

Senator NASH: This may well be a state responsibility—in terms of course accreditation for the RTOs, sometimes they are down a different stream, obviously, different occasionally to what the TAFEs are doing—for the private operators, what is the process for their course

accreditation? If they want to start up and offer course X, what process do they have to go through?

Ms Paul: If an RTO is approved to provide accredited training, then the course offering will have gone through a particular process; it will have been developed by an industry skills council, it will have gone through the National Quality Council, and so on. My colleagues can probably explain that in more detail, but there is a national curriculum. One of the absolute strengths of Australia's vocational education training system, and one of the reasons we get looked at by other countries, is that we are one of the only countries in the world that has a nationally consistent, nationally quality-assured training products curriculum—although we do not call it 'curriculum' in VET, as you would be aware. If you go off and you are being offered a certificate IV in something or other in Queensland, hopefully, you are receiving the same sort of competencies as doing the same certificate IV somewhere else.

Mr Griew: Yes, that sums it up.

Senator Chris Evans: It might take you four years in Queensland and two years in South Australia, which is one of the issues that is not necessarily standardised.

Senator NASH: Is there any move to harmonise that sort of requirement?

Ms Paul: The main harmonisation that is underway at the minute is the creation of the VET regulator, of course, so that there will be a single national regulator. There are two issues related to what the minister is talking about—how long it might take someone. One is the quality assurance of that, to make sure it is a quality offering by a quality RTO, and the VET regulator will deal with some of that. The other point is not to harmonise—that is, the government is keen—and we have been keen for a long time—to try to promote what is called competency based training, not time based training. Rather than everyone having to take four years to get an apprenticeship, if you are that good and you could do it in two, and you are just as competent as someone else who did it in four, then you ought to be able to finish in two. There are some bits that you do not want to harmonise but what you want to have is all the competencies the same.

Mr Griew: We have the qualification frameworks, so the training packages being approved are provided to all of the RTOs that may have the competency to deliver those and then they have to show that they are delivering those training courses to deliver those qualification framework outcomes. That is the basis of the system. Having a national regulator will ensure greater uniform standards in the delivery of those courses against those qualification frameworks. That is the fundamental of the reform there. In how they do it as a course, as the secretary says, you want some innovation but, in terms of moving towards having a uniform national assurance that a qualification is not just in theory against a framework but is genuinely being assessed in the same way everywhere as being delivered against the national standard, that is precisely what that reform is about.

Senator NASH: In terms of the delivery, one of the things that has been raised with me recently—and I am interested in whether it is something that has been raised with the department—is the delivery of VET in school compared to delivery of VET in the TAFE sector and some concern that the level of expertise in the teaching of VET in school is not at the same level as the expertise of the teaching through the TAFE system. Does that have any

merit? Is it something that is raised at all? What are the requirements for competency to deliver these courses in school as compared to the TAFE sector?

Ms Paul: I might start the ball rolling on this. I have not quite heard that representation in that way because usually, if you are delivering accredited training in school which is VET training, you have to have it delivered by an accredited VET teacher. That means that either TAFE teachers will come into schools, which they do, or students will go to TAFEs part time, which they do, or teachers in certain schools will get themselves accredited, but it is not the case that, if you are providing an accredited course in a school, any schoolteacher is able to do that. That is not the case. What I have heard more of, which may be partly what is behind what you are hearing, is the difference in quality. Some VET in schools is an apprenticeship, it is high level, it is a cert III or whatever. Some things that are called VET in schools are actually more like work experience: someone goes out for a week into a workplace and has a go. That can get the name of 'VET in schools' but it is not accredited training; it is just work experience. It might be fantastic. It might open a window for a young person on something which they might want to pursue in accredited training—

Senator NASH: That is a different thing.

Ms Paul: but it is different. That is more what I hear. I hear more a confusion about what VET in schools actually is. One of the government's initiatives through the election is to implement national trade cadetships which will make clearer what those pathways in schools are, because often, as I am sure you hear, pathways for kids at school into VET are not clear to them and they may not even be clear to a career adviser. It is important not only to get those pathways a bit clearer but also to raise the status of it.

Senator NASH: This is very general and there are different levels of teaching delivery wherever you go, but is there any sort of audit process in terms of the teaching requirement in school as opposed to the teaching requirement in TAFE? One of the issues that is raised with me is that the expectation, I think—and this is only an example; I in no way mean this across the board—of the students in school doing VET from those teachers was not as high as the expectation in the TAFE sector, so you would end up with a student coming through school and one coming through TAFE with the same, say, certificate III, and yet the level of competency of the student going through the school based VET would not be as good as that of the TAFE student. Is that something that is audited?

Ms Paul: Yes, I would argue that. I do not think that should be the case. If you are doing a certificate—

Senator NASH: I know it should not be. I am just interested to see if it is something that is raised.

Senator Chris Evans: I run into some of that sort of criticism. I think it varies depending on the actual industry engagement with the school program and how much practical work experience the students get. I think employers generally would argue that the more the person, either from TAFE or school, is out in the real workforce or the more the program is strongly linked to that industry, that determines what they see as the standard. But often, when they are talking about that, they are talking about employability in the sense of them being ready to work. My sense of the feedback is always that, where the school or TAFE has really strong

industry links, strong industry participation and more exposure to the workforce, employers are happier and would say the standard is higher, because they feel they are more work ready.

Senator NASH: Real world exposure.

Senator Chris Evans: Yes. They pick someone up and they can go to work the next day and be pretty useful. For instance, I get very good feedback on the apprenticeships in schools in Queensland, and they have some really interesting models. I went to one the other day in Queensland with the biggest building company there, private house building. They have the students on site for long periods, on their headquarters site, and they are teaching them English and maths while they are at the site and they are doing their hands-on experience, so it is another model again. I think that is quite an unusual one. I think they would argue that that is a really strong industry link. I think you would see variations along the spectrum, but whether that is standard or more about job readiness is the issue.

Ms Paul: It is a good point.

Mr Griew: Where a school is getting that feedback or where you are getting that feedback about a school from employers, the answer would be for the school to engage the local TAFE in sending trade recognised, industry recognised, staff into the school to do the assessment. The issue may be that there is not always the same trust in the assessment done essentially by school staff as there might be from someone out of the industry recognised sector. Their competency could be the same, but it may also be a question, practically, of the trust in the assessor—and/or the partnership between the two organisations will produce a better outcome.

Senator NASH: Would you perceive that that might create any difficulties, though, from the school perspective if they were to bring somebody from TAFE in? Does it not say to their own staff, 'We don't think you're doing your job well enough; we need somebody else to come and assess'?

Ms Paul: No.

Senator NASH: I am just trying to get a sense of this issue, if it does indeed exist. How can there be some assessment—because at the end of the day the student going through school needs to be at the same level as others?

Ms Paul: Yes.

Senator Chris Evans: It is complex, because what school can offer the range of all the VET types? They might offer the best hospitality. Do they offer carpentry et cetera? Clearly the schools' resources are not capable of having—you cannot expect the English teacher to teach carpentry et cetera, so the schools are limited by their own staffing and funding arrangements, so that is a restriction.

Senator NASH: Yes, I completely understand that. What I was getting at is more the comparison: if hospitality is being offered in school and hospitality is being offered in TAFE, from the department perspective the assurance that they are being taught to the same level. I am just trying to get an understanding of how that gets assessed.

Ms Paul: I would argue that normally they would be at the same level because the teachers are probably the same, so the TAFE—

Senator NASH: Teachers are going to vary anyway.

Ms Paul: The TAFE teachers are going to come into the school or kids are going to go to the TAFE. I do not think the issue is so much who is teaching it and how qualified they are, because they have to be. To teach a TAFE course you have to be accredited to teach a TAFE course, and most school teachers will not be. A school will have to make some sort of partnership with a TAFE. I think the issue is exactly what the minister says, which is that often industry, a business, would prefer a young person to have done a course in a way which puts them out in the workplace earlier than later, but whether that is legitimate or not is another question.

Senator NASH: It is quite complex, isn't it?

Ms Paul: Yes, it is.

Senator NASH: As I say, teachers vary within a school-teaching subject, so you are going to get that. It was only raised with me recently. It was something I had not considered before with respect to how you assess comparable level of students going through different systems.

Senator Chris Evans: As we are building these trade training centres through the schools, one of the issues that Mr Garrett and I are talking about, and the department is working on, is that industry linkage because, say, in a regional school, the trade training centre might well have, and probably will have, better facilities than the TAFE. The TAFE may be the regional centre down the road, but the school might have a new trade training centre with particular facilities. One of the things is working through—and this is where the state-federal thing sometimes is not as easy—

Senator NASH: Is that an understatement?

Senator Chris Evans: Yes. It is where industry are saying, 'If there is a really good facility, how do we better use that as a community?' Those industry linkages are really important and we are trying to build those with the trade training centres. From the Commonwealth's point of view, the states run the schools and the states run the TAFEs. Our responsibilities are not limited, but you do run into the issue of how we describe our responsibilities.

Ms Paul: We are funding them to deliver certain things. There are some lovely examples in trade training centres of great partnerships between these new trade training centres and local TAFEs, for example, and indeed local industry, and that is what we want.

Senator NASH: Which makes a lot of sense.

Ms Paul: Yes, that is right, because then you have the genuine pathway for a young person, through a particular type of vocational training in a school and a trade training centre, into maybe finishing a course at a TAFE after school and into a job, a local job. That is what you want, ideally.

Senator NASH: A very general question: how many VET courses are offered, all up?

Ms Paul: Many, many, many.

Senator NASH: Yes, there are many, many, many but, if you could narrow it just a little, that would be helpful.

Senator Chris Evans: There is the origami course which is available.

Senator NASH: One you have enrolled in previously?

Senator Chris Evans: I am thinking about it, for relaxation purposes. As you know, they have those sorts of apprenticeships, through the whole range.

Senator NASH: Yes.

Mr Griew: We might take that question on notice.

Senator NASH: I had a feeling you might. I am very interested in the whole list.

Mr Griew: It might be quite hard to answer, to be honest. We might be able to get you the number of training packages, against which the number of kinds of courses. We can get that for you, but the actual number of courses is—

Senator NASH: Do TAFEs and RTOs, though, not have to declare the courses that they have on offer?

Senator Chris Evans: TAFEs offer all sorts of things, not necessarily for qualifications but for—

Senator NASH: Why don't we narrow it down a bit and say by qualification, so the courses that are offered for qualification, as opposed to origami for—

Mr Griew: We can do that.

Senator Chris Evans: They do community courses.

Senator NASH: I understand that completely. It is a very sensible way of doing it, because I am—

Senator Chris Evans: I am not sure that the photography course was accredited, as it were.

Mr Griew: We will search as far down the number of accredited courses path as we can reasonably get.

Senator NASH: If you do those that result in a qualification and, to the best of your knowledge, the other types of courses that are offered. It does not have to be extensive but just a sense of those courses that are offered that are non-qualification. How many RTOs are there in Australia? Given your discussion before, there is going to be quite a list of these as well in various—

Mr Griew: It is close to 5,000.

Senator NASH: Have we got a real figure on that, or just—

Mr Griew: We can give you a precise figure. We will take that on notice.

Senator NASH: Yes, if you could take that on notice as well. What percentage of VET qualifications—and I am happy with just a ballpark figure—are offered by RTOs compared to the TAFEs? Obviously, they are only 20 per cent and they are going to be perhaps more specific—as you say, more aligned to certain areas. Is there any way of getting a sense of the percentage of overall qualifications that might be delivered through an RTO?

Ms Paul: Through private versus TAFE, yes, we probably can. I would not take a stab at percentages because there are many more private RTOs, just in number terms, even though they have fewer enrolments than the TAFEs. What I said earlier when we started this discussion was there is a difference in the type of offering that tends to be made. TAFE tends to offer the more capital-intensive et cetera, as I said. We might give you a sense of that too, if

it would be helpful to you, because it is interesting to see the differences between the two sectors in the type of offerings, not just in the quantum, if you know what I mean.

Senator Chris Evans: Would Skills Australia include that—

Ms Paul: Yes. We could get these things from NCVER and from Skills Australia.

Senator Chris Evans: Skills Australia and NCVER they would probably have some sort of—

Senator NASH: Sorry, I should have thought to ask that this morning.

Mr Griew: If what you are driving at is whether there is a reason that private RTOs would offer more or less of their courses being accredited courses or—

Senator NASH: Not really. I am trying to get an overall picture of the delivery and the areas in which the RTOs flourish and the types of areas that make up the big picture—so to put the RTOs and the TAFEs together to get the overall picture of the delivery.

Mr Griew: We will take that on notice and dig in the NCVER and Skills Australia reports. There is not a particular reason that the private RTOs would offer a lower proportion of their courses being accredited, because that is the basis of a lot of the funding they will receive and that is the market. They are skilling people for jobs. It is not a prima facie reason that there is going to be—

Ms Paul: Just to give you a sense of the sector, the last time I looked there were almost 5,000 RTOs and 69 of them are TAFEs, or thereabouts, and yet TAFEs have 80 per cent plus of enrolments. That is an interesting picture. The private part of the sector are a large number of obviously very small institutions—for example, a business college or a photography college. I know of one in Melbourne that offers good quality photographic, accredited qualifications. They tend to be quite specialised, whereas a TAFE will often cover the whole gamut and is and a large tertiary institution, like a university, as you would imagine. There are some differences there. In terms of the proportionality of numbers of qualifications, I would not even take a stab. We will see if we can get that for you.

Senator NASH: Thanks. Have we got the completion rates for TAFE students for the most recent year and in comparison for the few previous years?

Mr Griew: Do you mean globally or for TAFE?

Senator NASH: For TAFE.

Ms Sakkara: There is a recent NCVER report on completing VET qualifications that has come out. It shows that the completion rates vary; they are around 27 per cent nationally and range from 17 per cent for certificate I to 33 per cent for certificate III and diploma courses.

Senator NASH: How does that compare to previous years? I am happy for you to take that on notice.

Mr Griew: Sorry, what was the question?

Senator NASH: How does it compare to previous years?

Ms Paul: It would be similar.

Mr Griew: It is important to understand that the way that data is collected, as I understand it, if a student transfers from one course to another they are taken not to have completed.

Senator NASH: It is quite difficult to read that then, isn't it?

Ms Paul: There is a lot of doubling up.

Mr Griew: There is a lot of doubling up. The other issue is: when you do satisfaction surveys with students who have not completed and students who have completed, the satisfaction of the students who have not completed is quite close to the students who completed, which suggests that they may have packaged together a range of courses themselves that are working for them in the market.

Ms Paul: One of the key reasons people do not complete is because they get a job. It is vocational education.

Senator Chris Evans: The other thing I saw in the paper today, in response to the NCVET report, which had some quite worrying figures about completions, although I am not sure that it is much worse than previous years—

Ms Paul: No, it would be quite similar.

Senator Chris Evans: The TAFE directors and I think somebody else were responding by saying that the figures are misleading—this is not a criticism of NCVET—about what they measure—and Mr Griew has made one commentary—the other is that students choose modules. They want to do a particular module or set of modules that is part of a course; the module completion might well have been completed successfully but they have not gone on to finish the course because they wanted that module.

Senator NASH: They are picking and choosing different courses.

Senator Chris Evans: I do not know how fair that is but that was one of the responses.

Ms Paul: No, it is a good point because the example I have heard is, if somebody wants to learn how to do paving but does not want to do the full qualification and become a bricklayer—

Senator NASH: It makes a lot of sense. They do look like low figures but there are a lot of reasons. Is there any collection of data for students who have embarked on a course or courses and not completed for reasons other than gaining employment, to get a sense of those students who have started or course or courses, and just never finished anything and did not leave for the reason of employment?

Ms Sakkara: I am not aware of that, but, in that NCVET data I was mentioning before, there is an 80 per cent completion rate of individual units. It goes to the point the minister was making a minute ago, that people might be just doing individual units or modules and 80 per cent of them are completing those; it is that they are not putting them together into a full course.

Senator NASH: Which is a figure that needs to be read with the completion rates.

Ms Paul: Absolutely.

Senator Chris Evans: Yes. There are lies, damn lies and statistics. It is probably worth your while having a look at the NCVET website because they produce volumes and volumes of statistics—they seem to come out weekly at the moment. There is a lot of good information there but, as always with these things, you have to ask the next set of questions, often, with them. The other thing is we include apprenticeships and traineeships together. I see a non-completion rate and I worry about it and then I am speaking to employers or industry school and they say, 'No, we have a 93 per cent completion rate for electricians,' but the national

figures seem to say it is at 42 per cent. It is how you group, what you are actually measuring and, as I say, it is always much more complex than the headline figure, I am afraid.

Senator NASH: It is a very interesting area. In a policy sense then, if there is this obvious difficulty in getting an understanding of the real completion rate for those reasons, of students who have just started and not completed, how do you get a sense of whether or not the current level is appropriate and whether anything more needs to be done to encourage retention?

Mr Griew: With the apprenticeship, the trade training area, there has of course been a reasonably significant report just completed by a panel of experts on apprenticeships, who have highlighted both high drop-out rates in first-year apprentices, about 30 per cent, and also poor completion rates over the whole cohort, notwithstanding the point the minister made that there is some averaging effect there between traineeships and apprenticeships and some of the data. In their report they delved into some of the reasons why, to do with poor apprenticeship selection, poor course selection, lack of good guidance at the point of selecting a course, and also lack of mentoring, through what is going to be intellectually stretching, a proportion of those kids will not be academically inclined, and also involve challenging new work environments, and some in quite an isolated, small-business setting. There is a range of issues there that were put on the table by that panel, that was the reason the government commissioned it, and it has in part triggered the budget measures to support both mentoring and also improved assistance for apprentices in choosing the courses.

Ms Paul: In the budget that has just been, there is \$100 million to support mentoring for apprentices, and that was one of the key recommendations of this expert panel: that young people in particular going into an apprenticeship need guidance through it to stick with it and, indeed, to choose the right one for them in the first instance. We are quite excited about this because we have thought that—apprenticeships are a big commitment of time by a young person, they are a commitment by an employer too, and to have a pretty well 50 per cent non-completion rate is a worry, I think, in the apprenticeships sphere, not talking about all that modular stuff we were talking about a minute ago. This is very important. The second measure, which is another \$100 million, in the budget is to support, as Mr Griew was just saying, apprentices to be able to complete when they are competent, not having to serve four years if they are competent in two. That is another way of avoiding potential non-completion as well.

Senator NASH: Are you able to have access to the completion figures for the private RTOs as well, or that is privately-held information?

Ms Sakkara: The information from the NCVER that is published does not seem to have that breakdown, not in the papers I have with me, but we can look into whether that is available.

Mr Griew: Those answers that Ms Sakkara gave were a study by NCVER of VET as a whole, not of either TAFE or the privates

Senator NASH: Sorry, I thought I specifically said TAFE—

Mr Griew: You did, and I just realised that the answer given was of VET—

Senator NASH: That was the overall figures?

Mr Griew: Yes, which is why they took you to trade.

Senator Chris Evans: We will have to take it on notice, so we can break it down.

Senator NASH: That is fine.

Mr Griew: We will see if we can break it down for you.

Senator NASH: That would be very useful. If you have acquired the figures in the first place, you would know where they were generated from, wouldn't you?

Mr Griew: They are acquired by the national centre. We will not hold that data ourselves; we will go to them and ask them if they have it.

Senator NASH: Whether you might be able to access it.

Senator Chris Evans: What you suggest sounds reasonable but we will have to ask NCVER; it is their data, as it were.

Senator NASH: That is fine. In terms of the funding that goes to TAFE, is there a state-by-state breakdown available of how much goes to each state, for provision of TAFE?

Ms Paul: There would be, on notice. The main avenue, at least for Commonwealth money to reach the states, is through the national agreement. That is a national agreement set under COAG. Some of that funding would go to RTOs other than TAFE; some of it would go to the state's own administration. I imagine we could go either to the national partnership or indeed to states and get that information, unless Ms Sakkara happens to have it in front of her, which she might.

Ms Sakkara: I have the funding for the national agreement by state.

Senator Chris Evans: This is Commonwealth funding, though.

Mr Griew: Yes. This will not give you the total breakdown of states then allocated to.

Ms Paul: The states put in their own money.

Senator NASH: This is the Commonwealth funding, state-by-state?

Mr Griew: Yes.

Ms Sakkara: Through the national agreement. It is not the only source.

Senator NASH: We will start with that and, overall, you could take on notice.

Ms Paul: It will not be TAFE only.

Senator NASH: Yes.

Ms Sakkara: Do you want amounts or percentages?

Senator NASH: The amounts.

Ms Sakkara: By state. This is for 2011, estimated: New South Wales, \$443 million; Victoria, \$332 million; Queensland, \$261 million; Western Australia, \$134 million; South Australia, \$97 million; Tasmania, \$31 million; Northern Territory, \$14 million; ACT, \$23 million. That is a total of \$1.336 billion. That is over one financial year, or one calendar year.

Senator NASH: That is one calendar year. That is the distribution for the 2011 calendar year.

Ms Sakkara: Yes.

Senator Chris Evans: Bearing in mind that these are state training systems, so this is a Commonwealth contribution in this partnership deal.

Senator NASH: And what they then do with it—

Ms Paul: They add their own dollars. Generally, it is a two-to-one match on their part.

Senator Chris Evans: Yes. We also contribute heavily to apprenticeship programs through various employer incentives et cetera; so not straight into the training aspect, if you like. I think we have, what, \$1.2 billion a year, or something.

Mr Griew: It is nearly as much again that goes into employment incentives.

Senator Chris Evans: It does not count as training money, if you like, but it is for employers who are taking on trainees, apprentices, as a support/subsidy for those so it—I will not argue it is an investment by us in the training system but it is a payment to employers and there are payments to apprentices themselves to help them support them through the training. That is the breadth of Commonwealth support.

Senator NASH: When was User Choice instigated?

Ms Paul: User Choice was introduced by the former government and I could not tell you the year, it is before my time, so it would be pre-2003.

Senator NASH: In terms of the overall picture—and I understand that is more like the portable funding that will go with the person rather than delivered to an organisation—

Ms Paul: Say that again?

Senator NASH: Can you tell exactly how it works; the User Choice?

Ms Paul: One of the colleagues may want to describe it. It is part of that national agreement, it has not changed. It is really about trying to foster some competition across the sector. The states are required to offer some funding to RTOs other than TAFEs and that is how it works.

Senator NASH: That is how it works. What is the mechanism for the delivery of that funding then if it is—

Ms Paul: It is through the national agreement. I do not know if anyone wants to add to that. Mr McAuslan might want to add to it to talk about the details of the mechanism.

Mr McAuslan: The User Choice arrangements with the states and territories have been in place since about the mid-90s and, through that mechanism, we have been asking states—through competitive tendering processes and so on—to move to spread the availability of training more broadly than just to the TAFE system and to provide individuals and employers with greater choice in where they acquire their training.

Senator NASH: How much funding is available through that on an annual basis?

Mr McAuslan: At the moment the split between public and private is roughly 80 per cent to 15 per cent between public and private and that has been increasing over time.

Mr Griew: Private has been increasing.

Senator NASH: In terms of the school-based apprentices: how many are there currently?

Ms Paul: That is a very good question. I do not think we have that here, unless Mr McAuslan does. No, the schools people are on tomorrow. We will probably need to ask them but I will make sure we can get that.

Senator NASH: Yes, I can do that, if you would not mind just taking that, that would be great. I now move to the Productivity Places Program. Am I correct in that it was a \$2 billion allocation initially to the Productivity Places Program?

Ms Sakkara: Yes, that is correct.

Mr Griew: Yes, that is right.

Senator NASH: When was that instigated?

Mr Griew: 2007 or 2007-08 financial year.

Senator NASH: Four years ago. How much of that \$2 billion is unspent; how much still remains?

Mr Griew: The initial program is a lapsing program on 30 June next year and the funding is committed through a national partnership agreement to states and—a parallel arrangement with Victoria and that funding will be expended through to the end of next year with \$530 million in 2011-2012.

Senator NASH: Will there be any funds left by the middle of next year when this program runs out of the \$2 billion that was there initially?

Mr Griew: No, the program is a lapsing program.

Senator NASH: No, I get that.

Mr Griew: 30 June next year.

Senator NASH: Are all the funds going to be expended by the time we get to the point of the lapsing program?

Mr Griew: Very close to, it will depend on the—

Ms Paul: It will depend on the state's delivery of the program. If there is any left over, we will want to know as soon as we can but, at the minute, the states are still spending it. Our expectation would be, as I understand it, there would not be moneys left over because the states are in the middle of spending it.

Senator NASH: Was it \$530 million this year?

Mr Griew: Yes, 530 to be allocated next year.

Senator NASH: Correct me if I am wrong, my understanding, the initial aim of the program was to provide access to up to 711,000 qualifications over five years; am I right?

Ms Paul: That is right.

Mr Griew: That is right, yes.

Senator NASH: Of those places meant to be offered, did we get to 711,000? I take it that it is not due to lapse until the middle of next year.

Mr Griew: Yes, that is right, so there is a degree of—

Senator NASH: Yes, true but I suppose to this point in time—

Mr Griew: Where are we now?

Senator NASH: Where are we now, yes?

Mr Griew: We are now approximately, in aggregate terms, about where we should be.

Senator NASH: I am sorry, Minister, you have even got to laugh at that one.

Mr Griew: About two-thirds of the time has passed and about two-thirds of the places are done. We will have to depend on reporting back from the states and, as you have identified, we still have 15 months to go.

Senator Chris Evans: We are relying on the states providing data. There has been some to-ing and fro-ing about consistent data, corresponding with a couple of ministers about it at the moment. While it is not a Labor/Liberal/National thing, it is different states, different collection of data. I think Mr Griew is saying it is broadly where it should be but there are issues about data collection. We pay the states to deliver, we have to get feedback from them and then test whether or not we are getting what we paid for.

Ms Paul: That is right.

Mr Griew: There has been changing economic circumstances along the way, so we do a lot of job seeker places during the global downturn which was a major assistance, especially to some regions of Australia. It is not a static status; this program has the Commonwealth-state dimension and also, as circumstances change, working with the states we have tuned the program up and down in terms of where it is targeted and so on.

Senator NASH: Was that phrase 'opaque', I think, Senator Mason used before? I am very happy for you to take this on—

Senator Chris Evans: Senator, the Commonwealth-state funding relations, opaque was not one of the terms that generally comes to mind.

Senator NASH: No, I do take that into account.

Senator Chris Evans: Despite the best of endeavours.

Mr Griew: I can give you a figure: at 31 March we had 426,000 commencements in this program, to give you some reassurance.

Senator NASH: Out of those 426,000 commencements, how many have been completed? Taking into account that some may well be ongoing like they may well be—

Mr Griew: Yes, that is right and there are time lags in the data provision and those commenced.

Senator NASH: Yes, I understand.

Mr Griew: We are trying to get higher level places so those commenced, at least any time in the last year you would not necessarily expect to be completed and the funding programming through the states started in 2009. You need to be careful about the interpretation you put to the—

Senator NASH: I promise I will not interpret figures in a black and white way at the moment.

Ms Sakkara: The total number of completions to 31 March was 112,000.

Senator NASH: Less than a third. Have you got any idea out of the 112 how many are currently being undertaken and how many just were not completed? Because I understand there would be—

Ms Paul: Those are the ones which were completed, that is the number that were completed.

Senator NASH: Sorry, that is the number—

Mr Griew: The question we would be asking is of the rest?

Ms Paul: Of the rest, yes.

Senator NASH: 112,000 were completed. The question should then be: out of the gap between 112 and the 426, can you give me a sense—I am happy for you to do it on notice.

Mr Griew: We might take that on notice. I suspect the answer may be that we will know when the program is done and dusted and we look back, that would be obviously a good question to ask. But we will see what we can find out. We might even ask some state colleagues. We will take it on notice.

Senator NASH: It would be interesting to see the difference between those figures, because less than a third completion out of the 426 does not look that great but I accept there may be mitigating circumstances in a whole lot of complex figures in this.

Mr Griew: It is also important to understand that, while there were some Commonwealth direct elements of the program that got going initially, the main Commonwealth-state part of the program has had a substantial upward curve.

Ms Paul: And it only started in 2009.

Mr Griew: Yes, in 2009.

Ms Paul: I am not that surprised because there are higher qualifications, they take longer.

Senator NASH: In your view, over the next 12 months the curve is going to increase.

Ms Paul: Yes.

Mr Griew: Yes, absolutely.

Senator NASH: It is going to pick up.

Ms Paul: At the end of the partnership in 2012 there will still be some people finishing off, too. It is a rolling sort of thing.

Mr Griew: There will have been a big pick-up in commencements in 2010 and you would not expect necessarily a high proportion of those to have completed by now.

Senator NASH: Is there any definitive data on withdrawal? Is that something that is calculated along the way when a student withdraws from a course. Is that something that is—

Ms Paul: It is a good question. We will have to take that on notice, I would say, unless Ms Sakkara has got it but, yes, we will take that on notice.

Ms Sakkara: No, we do not have it, and I think that all the states collect the data differently so I am not sure we will have it comprehensively either.

Mr Griew: To make the point I was just making in terms of commencements, in the 2009-10 financial year there were twice as many commencements as in the 2008-09 financial year. So we had a major pick-up in 2009-10.

Senator NASH: That is fine but I am interested in the withdrawals.

Mr Griew: On the issue of people withdrawing, I do not know, but we will take that on notice.

Senator NASH: That would be great. Can we go back to the remaining funding, and you might have said this before, Mr Griew: when did the states receive their last payment? Is there a standard date or is it a rolling mechanism?

Mr McAuslan: The states get a monthly payment based on advice from them about the delivery of training and so on.

Senator NASH: In terms of the reporting requirements, do the states then have to come back about that expenditure on a monthly basis or how do you track the expenditure of that monthly figure that goes to the states?

Mr McAuslan: The states are required under the national partnership agreement to provide regular reporting on their commencements and enrolments and so on, but there is an annual process of financial reconciliation between the states and territories and the Commonwealth. I believe we are going through that at the moment in relation to 2010.

Senator NASH: When were the states advised that the program was going to lapse?

Ms Paul: It has been clear, it has been the term of the national partnership. With the national partnership, when they signed up, they knew the end point. The end point was clear from the start.

Senator NASH: It was only ever to be the four-year program?

Ms Paul: Yes. One of the budget announcements is to offer a new national partnership to states and territories to focus on the delivery of training, and that will be something which we will start to negotiate soon.

Senator NASH: As you go through. So it was always going to be just a four-year program. But the shift to the national partnership for vocational education and training, as it says in the budget papers: why the need for a shift? I know it was only ever a four-year program, but if it was working well would you not continue it? Minister, what has been the decision to shift into a different program? Have there been inadequacies within the current program?

Senator Chris Evans: I will ask one of the officers to supplement, but effectively it is a broader macroeconomic sense. We have an increasing demand for skills in a growing economy, although obviously it took a bit of a hit because of the natural disasters, and we have skill shortages in key sectors—mining would be one of the obvious, construction, but also aged care, child care, as you know.

Senator NASH: Agriculture.

Senator Chris Evans: Yes, agriculture. What we have had is a lot of industry saying we cannot get the particular skills we need, we are not getting them trained quickly enough or in the right skills. That has been the critique. One of the responses to that, and the work of Skills Australia is to say, 'Let's look at doing more in the model which is demand driven rather than supply driven.' If you think about it, currently in terms of skills we get what comes out of TAFE. We fund TAFE or private providers which run the VET sector. They may produce 4,000 hairdressers a year and 10 welders, but that is dependent upon student choice, although there are some specialised funding incentives. Effectively, what we are trying to do is respond to skills needs by having a demand driven system where large employers say, 'We need 300 more welders and we need them yesterday, so can we drive programs that will give us 300 welders?'

Senator NASH: You want to move to a more specific, more targeted program?

Ms Paul: Yes.

Senator Chris Evans: Yes, and demand driven. Employers saying, 'We really need welders.' Can we do something, working with industry, to get more welders? That is why the skills package is about responding to critical skills shortages. The providers will most likely be the same, in the sense that the employer will be a partner. We announced a project with the mining industry to accelerate apprenticeships in the mining industry for people who already have work experience, and that is a partnership, which we have supported, between the Minerals Council and a provider, but the provider is using TAFEs. The TAFEs are still there but they are going to provide training of people selected by the industry to meet a particular need of mining skills. So, if you like, it is demand driven versus supply driven. The training provider in this case happens to be the same person or a public provider in a TAFE. For instance, some of the training has been done at Polytechnic West in Perth, in Belmont; they are one of the partners in that project. They are still providing the training but it is being driven by an industry demand for a particular skill set.

Ms Paul: The way I would put it too, just to add to what the minister is saying, would be that the new national partnership is really just the next evolution of reform in terms of getting as many training places as possible with as high a quality as possible, focusing on completions, focusing on competency based and so on, and it is a response, as the minister was saying, to changes in the economy. You do not quite need the same approach when we are now into this patchwork economy where we have emerging skills shortages and yet some regions and groups being left behind. You need a different approach. The concept of this national partnership will be a lot more flexible and therefore it is a lot more suitable to a more complex economic situation than the one we have faced in the last three years. I am certainly excited about it because it will offer us a much more flexible opportunity to work with states to respond to their needs, so they are welcoming of this as well for that reason.

Senator NASH: It will be all states and territories?

Ms Paul: Yes.

Senator Chris Evans: I was talking more about the Critical Skills Development Fund and the Workforce Development Fund, rather than the state agreement, but that is why we have added that on, if you like, as a response to the particular skills shortages. As the secretary says, the national partnerships will also try and focus on some of those issues as part of our contribution.

Senator NASH: All the states and territories have signed up to this; no-one wants to be exempted?

Ms Paul: They certainly have been welcoming of it in our first conversations. They are delighted that there is something beyond the PPP agreement, which they knew was ceasing next year, so they are absolutely delighted about that announcement.

Senator NASH: All the states and territories have been involved?

Ms Paul: Yes, in the opening discussions. It is just opening discussions at this point.

Senator NASH: What would happen if a state wanted to opt out?

Ms Paul: They would not get the money.

Senator Chris Evans: It is a funding partnership; if there is no partnership, there is no funding.

Ms Paul: This is additional to the fundamental agreement; this is additional funding to the billion dollars each year that Ms Sakkara described before. It is all on top of, and so, not surprisingly, the states tend to be very interested.

Senator NASH: The only way they get the bucks is to be part of the national partnership, that is what you are saying. There is no way around for them?

Ms Paul: No.

Mr McAuslan: On the basis of the still very preliminary discussions, there is also real interest in taking that next reform step, so the Commonwealth's interest in driving greater responsiveness to industry, for example, is something that several of the states are very engaged in as well.

Senator Chris Evans: I think if you look at the states—this is a little to one side—a number of them have done quite a bit of reform in their TAFE system to make it more responsive. Some of the employers were saying it is a bit slow, it is a bit clunky, a bit unresponsive and, quite frankly, there has been underinvestment. This government has invested a total of, I think, about \$810 million in infrastructure in the TAFEs—the first large-scale Commonwealth investment. I have been recently opening a number of big new facilities in TAFEs, Commonwealth funded, partly under the stimulus package. Some of them you go to have not had much spending on them since the 60s or the 70s; some of them are pretty lacking for spending. We have tried to assist them to invest, but I think Victoria and Western Australia, at least—and South Australia has got some plans as well—are trying to free up their TAFEs to make them a bit more flexible, a bit more independent, to give them a bit of a chance to be more responsive and a bit more entrepreneurial. There are arguments about that, but a number of states have gone down that path.

Senator NASH: There certainly seems to be a sense that in the past TAFEs have been quite rigid in how they operate, so the flexibility might—

Ms Paul: I am sure they would argue the toss about that, but that has certainly been a view that has come at various times from various parts of industry, and that goes exactly to the point the minister is making: that one of the aims of the whole budget approach in skills this year is to match supply better to demand, because that has been the claim, as you say—that the system has been a bit supply driven, rather than driven by demand for training through employers.

Senator NASH: Finally, on the Enterprise Based Productivity Places Program, what has the take-up rate been like on that?

Mr Griew: There are two. There was an Enterprise Based Productivity Places Program as part of the Productivity Places Program that was massively oversubscribed; it was three times oversubscribed when it was put to market. One of my colleagues can talk about the rollout, if you are interested, but it requires co-investment from industry. What you had was industry seeking a direct partnership with the Commonwealth government to respond quickly to the skills needs they perceived and prepared to co-invest to do it. As I said, it was significantly oversubscribed, as we have now found too with the Critical Skills Investment Fund, where we have been dealing with the first significant round of that and again there is massive oversubscription. Then there is the new funding that was announced in the budget, the \$350 million. The starting point model for that is the Enterprise Based PPP, another round of that,

but we will be working with industry and through the new agency over time finetuning that and looking at the Critical Skills Investment Fund as well.

Senator Chris Evans: I think you will be interested, Senator, when you get those figures—they might give you the regional figures—because, as I recall, 50 per cent of the take-up was rural or regional. It was quite an interesting result, because that is employer driven, so it was not us; we selected the applicants, but the applications were driving the process, in a sense. The officers will have the figures.

Ms Sakkara: I have some figures here. The commencements in Enterprise Based PPP are 8,199 to the end of December 2010. The regional breakdown that the minister was just mentioning is that 47 per cent of commencements were in major cities, so the remaining 53 per cent were in regional or remote areas.

Senator NASH: Do you have those on a state-by-state basis? I am happy for you to take it on notice.

Mr Griew: We will take it on notice.

Senator NASH: That would be good. Thank you very much. There is just one final thing and, again, I am happy for this to go on notice. I am interested in the TAFEs that are providing pathways to university courses. Could you perhaps just do a brief for me on which of those TAFEs are, across the country, providing that pathway to university, because I think this is a really interesting—

Ms Paul: There is more and more of that and it is exactly what we want.

Senator NASH: It is very interesting and, particularly in regional areas, a very useful shift.

Ms Paul: Yes, it is.

Senator NASH: The data on that would be much appreciated.

Ms Paul: I have not seen figures on this for a while, but the other thing we were noticing a couple of years ago was that there is an increasing of incidence of people who go to university and then do a TAFE qualification or a VET qualification because they want to specialise in something. I remember meeting somebody who had done engineering and then he had gone to TAFE to do some particular vocational part of that, which is great too. That is terrific.

Senator Chris Evans: They have done a degree in engineering and then they have done a one-year diploma at a TAFE on more practical aspects which they thought would make them more employable, in addition to the university degree. Quite a number of TAFEs are running those things now for large sectors of university graduates. It is interesting.

Senator NASH: Yes. If you have any figures on that and, again, the TAFEs that are providing that sort of postgrad qualification—

Senator Chris Evans: I do not think they advertise as postgrad; it is just that there were postgrads taking it up, as it were.

Ms Paul: The other thing which we are seeking is coming from the stimulus of the university sector, and that is that, because of the really dramatic increase in funding in the first term of this government for equity for low socioeconomic students into universities, there has been a strong incentives for universities to partner with TAFEs in terms of pathways for students. That is a good thing too, and we see some of that in regional Australia as well.

Senator NASH: It is a good option. Thank you very much.

CHAIR: That is it for you?

Senator NASH: Yes.

CHAIR: In just this area or do you have other areas?

Senator NASH: No, that is it for 3.4, unless other colleagues have questions in 3.4.

CHAIR: I do not think anyone does. The term 'polytechnic' is fairly recent in Australia; I know it is used often. Do we have a specific definition of what we actually consider 'polytechnic' to mean?

Ms Paul: We have never had that sort of system. Tasmania has probably come the closest in what it is doing to try to give kids pathways into further learning, because Tasmania had the lowest—sorry to say this, Senator Bilyk—

Senator Chris Evans: This is the downside.

Ms Paul: This is the downside: it had the lowest completion rate of year 12.

Senator BILYK: We did.

Ms Paul: There has been something set up between school and TAFE which is a bit more like a polytechnic. But really, in this country, it has been TAFEs; TAFEs have covered the field. As we were discussing with Senator Nash, the reach of TAFEs into schools, through school-based apprenticeships and so on, has really been that. I think the Tassie model is interesting but I am not convinced in a policy sense that we have a policy gap necessarily, as long as the TAFE system is responsive and is well-linked to schooling and so on. I do not know that we will ever have anything called a polytechnic as such, but we will see, perhaps, more specialisation and more explicit linking into school. That is all to the good, really. Whether you call that a polytechnic or not, in a way, does not matter.

Senator Chris Evans: As I said earlier, one of the TAFEs in Western Australia has got ahead of the game and called itself Polytechnic West.

Ms Paul: That is true.

CHAIR: That is why I was interested. I was looking at the Finnish model and that is what they do. I was wondering whether you can translate what they say is polytechnic, which I think is polytechnic, to what we use the terminology for. But it is not a direct comparison the way we are using it, is it?

Ms Paul: No.

CHAIR: That will make it less confusing. Anyone else for 3.4? If not, let us move on to 3.5.

[12:08]

Senator NASH: I think Senator Back has some questions in 3.5, so he might like to kick off.

Senator BACK: They are in the area of Industry Skills Councils, if that is relevant.

Ms Paul: Yes.

Senator BACK: If I can refer back to the hearing and report and recommendations of that Industry Skills Council earlier in 2011, my recollection is that the new contracts with Industry Skills Councils and the department are due to commence on—when?

Ms Sakkara: On 1 July.

Senator BACK: The committee did make a number of recommendations. The first related to environmental scans: that there be developed an environmental template for consistency of environmental scans. I wonder if you could advise us of the extent to which that is a viable recommendation.

Ms Sakkara: The government is yet to respond to the committee's report so I can comment, I guess, from the department's point of view about our thoughts about that. I understand that Industry Skills Councils already do environmental scans. We do not necessarily think there needs to be one template; they may need to be different for different industries.

CHAIR: I think we have a problem here, Senator Back, because the government has not responded yet, it is in a report and it puts the officers in a difficult situation about talking about a policy response that the government will have to make to the Senate in due course.

Ms Paul: I think that is right.

Senator Chris Evans: If you have a factual question, Senator, that the officer is trying to help out. It puts the officer in a position of anticipating what the government might say in terms of the report. If you want to ask about where we are up to with the negotiations or those sorts of things, we will try to help.

CHAIR: Minister, are you able to tell us when the Senate might expect a response to the committee report?

Senator Chris Evans: I think the answer to that is no.

Ms Paul: The department has been working on the response so it rests with us at this stage.

Senator Chris Evans: It is a question you might want to rephrase the way you ask the question.

Senator BACK: Senator Marshall and I have allocated a good deal of time and effort, as did the department and those who appeared; in fact, it was a very good inquiry. I think you are right; 23 June is the due date for the government to reply; whether it does or not by 23 June. The only thing being, of course, that as you kindly advised the new contracts are due to commence on 1 July, which is seven days after the due date, so it is in that spirit that I was hoping—

Senator Chris Evans: We have got the benefit of the report already, we have not got the formal government response, but in terms of informing our consideration and the new contracts, we have that.

Mr Griew: I am advised that, while we are still to formulate the response and the government to consider our formulation of our draft response, in fact the department also found that inquiry a very useful process and that several of their discussions at the inquiry and the recommendations from the inquiry are influencing the thinking of the officers who are

drafting the contracts anyway. There is an informal process as well and it has been very useful for us as well.

Ms Paul: Not wasting time. We are not waiting.

Senator BACK: You are not waiting, no.

Senator Chris Evans: What the minister thinks does not stop the department doing what it wants to do, Senator, I can assure you. So they are aware of this—

Senator BACK: I am aware of this when I was a government chief executive, Minister.

Ms Paul: Of course, I did not mean it that way.

Senator BACK: The wheels have to keep turning, Minister.

Ms Paul: Rather that we be positioned to be able to act in the short space of time.

Senator BACK: Perhaps in framing the question slightly differently: does the department accept the concerns that were raised by particularly smaller businesses and even middle sized businesses in terms of response to environmental scans, actions that they can pick up from an interpretation of environmental scans that would help them better in managing their businesses? Is that a reasonable question?

Ms Paul: It is hard to say that if we accept it—if it is going to be the subject of a government response. It is fair to say that we have paid—because we were part of the inquiry too, of course—close attention to all of that and we did find it a productive and helpful inquiry.

Senator BACK: Without sort of venturing too far into that area: did ISCs respond to the department following the publishing of the report and its recommendations? If so, could you summarise what the responses by various Industry Skill Councils were to the report and its recommendations?

Ms Paul: I do not know that they would have responded to us because it is not a departmental report but, in terms of any feedback, we might ask if we know of any feedback following report from ISCs. I do not know whether we know of any representations or whether we would need to take that on notice.

Ms Sakkara: I do not know of any specific feedback but we can take that on notice. We are in contact with ISCs all the time so, in our discussions with them, that would have come up and including, in the process of talking about the new contracts, they will be aware of the findings of the report as we are.

Senator BACK: In preparing the new contracts, does each ISC have an opportunity to engage with the department in terms of the structure and formulation and the new contracts?

Ms Sakkara: It is my understanding that they do, yes.

Senator BACK: They do, so they do have that opportunity to provide input. In any event, on 1 July, there will be new contracts in place.

Senator Chris Evans: One of the key budget measures in the skills package, if you like, is the Workforce Development and Productivity Agency and, in speaking about that, I have always made it very clear that we want to build on the success of the enterprise based productivity places because that was huge take-up Employers liked it, they worked well and the Skills Council was very much a part of driving that. Also the agency will, in part, reflect

as an extension of Skills Australia's role to a more planning role and a key part of that is their partnership with industry skills councils and the expertise and closeness to industry that they have which certainly I found very useful, my office finds their advice very useful, and I know the department does. We are building on that current structure and the work of the ISCs is critical to that because it is that thing about being industry led, responsive to industry, and them helping guide training needs and training packages is very much a part of that. The development of the new agency sees the ISCs as one of the key building blocks to that. We have a very positive view about their role.

Senator BACK: Each ISC produces an environmental scan annually; is that prior to the end of the financial year?

Ms Sakkara: I do not know the timing of the scan, no.

Senator BACK: Perhaps you could take on notice for me—

Mr Griew: I do not think we are going to get the answer—

Senator BACK: —what is the timing of each, whether they all differ.

Mr Millington: It is not tied to the budget. They do produce it annually.

Senator BACK: Each does produce an annual scan?

Mr Millington: Yes.

Senator BACK: I wonder if you would be good enough to just take on notice and advise us those that have produced an environmental scan for this year and if you have any knowledge of the timing of the production release of the others as well I would be appreciative, please, but is not material to this program?

Mr Millington: Yes.

Senator BACK: Chairman, those are the only questions that I have given that limitation, thank you.

Senator BILYK: I noticed when I was looking through the Portfolio Budget Statement that there is—it did talk about a strengthened role for Industry Skills Councils including working with enterprises to identify their skill needs. Will the ISCs be involved in identifying industry partners for the industry partnership payments and can you explain the industry partnership payments?

Ms Paul: Do you have the page you are on?

Senator BILYK: Sorry, I have not got it with me, it was in some of my spare time that I was flicking through. Can you tell me about industry partnership payments and how they are going to work?

Ms Paul: Sure.

Ms Sakkara: I can talk about the role of Industry Skills Councils in the Enterprise Based PPP Program. They have a role in promoting the program within their respective industries and they work with individual enterprises to develop their funding applications. They have a very strong role there and we would see that continuing in the new Workforce Development Fund. The funding applications for that EB Program are channelled through ISCs to the department. They are working with enterprises, helping them develop their proposals and are funnelling the proposals through to the department for assessment.

Ms Paul: As the minister was saying, what happens, because of the budget measures, is that something which the EBPPP, the Enterprise Based PPP, which has proved enormously successful—as Mr Griew said, three times oversubscribed—now gets a whole new way of matching supply better to demand through the Workforce Development Fund, which will be controlled by the new agency built on Skills Australia. The ISCs roles, as the minister was saying a minute ago, will expand and they will become even more critical to the system. They will become in a similar—in the way that Ms Sakkara outlines which is scaled up, more broad, more deep, more long-lasting, it is a great initiative, and we are very pleased about it. Business has responded to it extremely positively, as the minister was saying.

Senator BILYK: I understand that. The initial training will go to aged care and construction. Is that right?

Ms Paul: Yes.

Senator BILYK: Can you tell me how that basis was reached?

Ms Paul: Yes.

Mr Griew: With construction and with aged care, the government has responded to both analysis from Skills Australia, as Mr Shreeve talked about earlier, and the dimensions of both of those industries. Construction is the third-largest sector in the Australian economy; aged care is part of the health and aged care sector, which is the largest employer in the country. Both are growing at huge rates; 4.3 per cent per year in construction—

Ms Sakkara: It is 4.8 per cent for aged care.

Senator BILYK: What was the rate?

Mr Griew: Nearly five; 4.8 per cent per year. It is a very high demand. Aged care is going to continue to grow with the change in population structure of Australia. Both have very high demand on both higher level tertiary qualifications and higher level VET-type qualifications. Both also have challenges with parts of their workforce in need of basic foundational skills. There is very strong demand and employers who are going to be—with strong industry skills councils in both industries—keen to take the lead in developing their own workforce.

Senator Chris Evans: The Critical Skills Investment Fund which we set up in the last budget, if you like, is the precursor or the forerunner to this and is now being combined. That has focused very much on resources and construction and alternative energy; that was the first priority. As we know, we have the resources boom and the construction associated with that, because the peak workforce is more construction than mining; so that was the priority, so that remains. The more general construction and aged care were the priorities identified as part of the expansion to the new agency and fund but, I want to make it clear, that is because they were seen as priority. It is by no means limited to those sectors. Child care is one you could easily focus on and there are many others. Clearly, you can only bite off so much at a time, so we have identified those as priorities. As you know, there is a lot of workforce activity, in terms of workforce development, in the child care area already and through other programs. In aged care, we have got the Productivity Commission review, so we will have to work closely with that. Construction and aged were seen as critical starting points, but the fund is not limited to them and we will have to work and support other industries as well, and, as I say, child care is an obvious one. There are huge issues in hospitality as well.

Ms Paul: That is right. They are just the first cabs off the rank.

Senator BILYK: What is the timeline for the rollout, if I can call it that?

Mr Griew: There is \$350 million over four years. There will be an early round under the Enterprise Based PPP model and we will be working with the ISCs and Skills Australia in those industries to get that first round going while the agency is then legislated and put in place to run the program from that point forward. I should add too, to emphasise a point the minister made, there are two priority industries that the government has identified and there is also provision with that fund for a general round as well, which would be for high priority skills on an employer partnership basis, but across the economy, not limited. It is a traditional, safe budget.

Senator BILYK: Sure. I have had a number of people from the aged care sector very interested in how it is going to happen, what is going to happen and—

Senator Chris Evans: As Mr Griew has indicated, we have the high level skills, nursing, occupational health, all those sorts of medical skill sets, or health-related skill sets, and then we have carer skill sets, and we have an ageing workforce and an ageing population. There is a very difficult combination of issues coming together. We have got low pay in the aged-care sector, both for nursing and non-nursing staff. It is a sort of cocktail of issues are, as you know, with your interest in the area, is a problem and a challenge, and more customers are ready to come through the door day by day, including a couple in this room, myself included. We really do need to focus on those workforce issues. As you know, the minister Mr Butler is, the Productivity Commission is and, through this fund, we are going to try and make a contribution to that issue as well.

Mr Griew: According to Skills Australia modelling, the two highest-growing occupations to 2025 will be welfare associate professionals and carers and aides.

Senator BILYK: Thank you for that.

CHAIR: Just before we break for lunch, the issue that was outstanding from yesterday with the detention centre improvement notice, have we got any further with that Comcare issue?

Ms Paul: I am not aware of it, no.

Senator Chris Evans: No. It is either gone or it was about to go. I will report back straight after the lunch break. I checked when I went back to my office yesterday and it was happening, because my office had spoken to Comcare, to reflect the request from the committee. I will come back straight after the break as to where exactly it is at. Sorry, I should have checked this morning.

CHAIR: No worries.

Proceedings suspended from 12:27 pm to 13:30 pm

CHAIR: We will resume these estimates hearings. Senator Nash.

Senator NASH: Thank you. The Australian apprenticeships—how many commencements were there in apprenticeships in total in the January 2011 quarter?

Mr Maynard: Senator, the most recent data that we have on apprenticeships, collected by the National Vocational Education Research Centre, is for December 2010. At that point, there were 440,650 apprentices in training. In terms of the numbers that commenced to the 12 months to 31 December 2010, there were 314,000.

Senator NASH: Okay. Does that get broken down at all, I guess, into what you would term the traditional trade apprenticeships at all?

Mr Maynard: Yes, it does get broken down into trades versus non-trades, and I hope I have the information before me. If one of my colleagues behind me has it, they can feel free to come to the table. Hint, hint.

Senator NASH: I can see movement, there is movement at the station.

Mr Maynard: We have a percentage increase, but I am just looking for the actual numbers, which, unfortunately, doesn't easily come to hand. So I can take that on notice, Senator.

Senator NASH: Okay. Could we have the commencements in the traditional trade and also the commencements in the non-traditional trade area, whatever that is called. In the traditional trades, have you got a current completion rate?

Mr Maynard: Yes. Perhaps I could refer you to the expert panels report, the completion rates cited in the report which related to a common entry point, so when the contracts were entered into. In this case, the expert panel cited the 2005 commencement contracts. So as you can imagine, some would take three years, four years to complete. In the trades occupations, the overall completion rate was 45.6 per cent. That varied across the different ANZSCO occupation groups, ranging from a low in the food trades workers of 27.7 per cent—

Senator NASH: You say ANZSCO?

Mr Maynard: ANZSCO, yes, the Australian and New Zealand Standard Classification of Occupations. The highest ANZSCO grouping for engineers was 60.8.

Senator NASH: Okay. So what was the lowest figure again?

Mr Maynard: The lowest figure was 27.7 for the food trades workers. So an overall for trades would be 45.6.

Senator NASH: Okay. And the overall completion rate for apprenticeships? O you have the separate figure for non-trade, or do you have an overall figure?

Mr Maynard: The non-trades completion rates for the comparable period was 52.1 for the 2005 contract.

Senator NASH: Okay. Lower and upper figure for that one?

Mr Maynard: The lower and the upper figures for that one are a lesser range. For sales workers, 43.6 up to clerical and administrative workers of 56.5.

Mr Griew: This is data put forward by a panel which has looked at one particular cohort. So I just want to be clear that there would be other figures specific to time occupation, yes.

Senator Chris Evans: The other thing is the great variety of length of course in there though as well, because—

Mr Maynard: Correct.

Senator NASH: Which is why I was just about to ask if you wouldn't mind providing on notice, within that range, the applicable figures to the applicable trade or not trade? Do they have them in between, when you said 43.6, and I think you attributed that to—

Mr Maynard: Yes, Senator. We can provide that information on notice, or if you wish to look at the expert panel's report, which is available on the—

Senator NASH: On notice would be super, thank you.

Mr Maynard: Certainly, Senator. Happy to provide it on notice.

Senator NASH: Thank you. If in every committee, we went to every single place we were directed, we would have no time to sleep. I would appreciate that. I just want to talk now about the apprenticeships, and particularly in the area of agriculture. The National Farmers Federation estimates that up to 100,000 workers, over five years, will be needed to fill a labour gap on the land post the drought, which is entirely understandable. Your facts sheet on the Australian apprentices incentives—and I will just read this out for *Hansard*—says that it: ... is limited to those in traditional trades identified as experiencing a national skills shortage.

It says:

Trades experiencing persistent skills shortage are included on the National Skills Needs List which is based on detailed labour market research conducted by the Department of Education, Employment and Workplace Relations.

Am I right in assuming that your labour market research did not identify the labour shortage in agriculture?

Mr Maynard: The agriculture as a whole is not contained on the National Skills Needs List, which is the list of 60 occupations which have perennial shortages. Having said that, the incentives program provided by the Australian government has elements which are open to all Australian apprentices, and has some that are restricted to the National Skills Needs List. So people who are undertaking agricultural courses certainly are eligible for a range of Australian apprenticeship incentives.

Senator NASH: Okay. Well, given that the figures from the NFF, why aren't they on the National Skills List?

Senator Chris Evans: Senator, before I let the officer answer, I would like to look at the evidence base for the NFF's work, and I put it no more highly than this, but we get a lot of reports from industry associations about projections of skills shortages. I will show you them from the WA Chamber of Industry. You know, I think they were at 400,000 at their last thing, and I am not saying they are not right, but you know what I mean. It is not a precise science. I am not questioning it, I haven't seen that one. But I just bear in mind that there is a need for a proper evidence base for these things.

Senator NASH: Absolutely. I understand your caution, Minister, as you are right to be cautious in your ministerial role. If I can perhaps draw your—

Mr Griew: Senator, it might be helpful if Mr Maynard just outline the criteria—

Senator NASH: I will just finish, thanks.

Senator Chris Evans: It is the reference, yes.

Senator NASH: So perhaps, Minister, if I can draw you to the NFF submission to the sustainable population strategy, that might help you with the information that you are trying to seek.

Senator Chris Evans: But do you know what the basis of their claim is, though?

Senator NASH: That I cannot tell you off the top of my head now, but that will certainly be a starting point for you. I must say, I have no reason at all to question the NFF's work. I find that particularly their economics area are very, very thorough in the work that they do

and the information that they provide to the community. So I would imagine that the evidentiary base for their claim is quite correct.

Senator Chris Evans: I am not questioning it, but, you know, when you get a figure like 10,000, it probably could be five, or it could be twelve, or—these are always estimates, you know, so—

Senator NASH: True, yes.

Senator Chris Evans: I am conscious I have to respond almost daily to industry associations who produce reports which give figures, and I always like to just go back and test the assumptions, and I am sure my labour market branch are happy to test the assumptions as well. We are open to the feedback, and none of this is a precise science, of course.

Senator NASH: No, of course. And I am sure the same way where you identify shortages in other areas come up against the same scientific difficulty.

Senator Chris Evans: Yes.

Senator NASH: But perhaps if I can also assist that, being out in the regions and being part of these communities where there is an issue, I can assure you there is a huge skill shortage when it comes to agriculture.

Ms Paul: So perhaps if I start the ball rolling on how we reach what the thing—unless you need to move on, Minister.

Senator NASH: Yes. Actually, can I just ask something else before we go on to that, and I am quite happy to, when you did the labour market research, did you actually look at agriculture?

Ms Paul: Sorry, Senator?

Senator NASH: So when you did the labour market research, did you actually look at agriculture and then discard it on the fact that the figures did not stack up, or did you just—

Mr Maynard: No, Senator. I think we might be talking apples and oranges here.

Senator NASH: Pardon the pun.

Mr Maynard: Perhaps if we start with a definition of what the National Skills Needs List is, and how it is calculated, you might then see a difference between the National Farmers Federation projection for the future and the calculation that is currently in use. So if I just ask Mr Owen to run through, very quickly, what the National Skills Needs List calculation methodology is.

Mr Owen: The Skills Needs List identifies those trades that are deemed to be in skill shortages, but we do have some research that is conducted by the department that underpins that. To be considered for inclusion on the National Skills Needs List, an occupation must meet three different criteria. The first is, be classified under the Australia New Zealand Classification of Occupations, which is the ANZSCO that Mr Maynard was talking about, grouping firstly as technicians and trade workers. That is the first definitional in. Then have been in National Skills Shortage for three of the past five years, including one of the last two years, to make the list. As well, for those occupations not assessed for each of the past five years, there must be a national skills shortage for at least half of the assessments undertaken. So we look at the data, and it has to meet those criteria.

Senator NASH: Okay. And I am looking at the extensive list here for the National Skills Needs List. Did you look at the agriculture sector?

Mr Maynard: The calculation methodology looks at all of the occupations that fall within the technicians and trades workers grouping under ANZSCO, and my understanding is that yes, they were incorporated. So by way of example, there are a number of specific inclusions in the NSNL which have some relevance to agriculture or horticulture, and if you have the list in front of you, you would note there were things like landscape gardeners, shearers and the like which fall within the general ambit of agriculture.

Senator NASH: Sorry, I am not sure landscape gardener is a specific agricultural—

Mr Maynard: Or horticulture, my apologies. I thought that was—if you were specific to agriculture, no, it is not.

Senator NASH: No, that is fine, I will take that if you are looking at that as under horticulture. A little stretch. So shearer. So what about things like farmhand, shed workers, things like that?

Mr Maynard: If they fall within the ANZSCO grouping, and I do not have that in front of me—if they fall within it, they would have been considered.

Senator NASH: So do I take it from that, then, that you have looked at it and the only agriculture or horticulture related occupations, if you like, are landscape gardener and shearer?

Mr Maynard: They are the only ones that are currently on the list, yes.

Senator Chris Evans: On the skills shortage list. I just wondered whether there is an issue about occupation versus skill, which I think—

Senator NASH: Sorry, that was probably a loose term, a skill required through an occupation.

Senator Chris Evans: This is always a bit of a difficult area. There are skills, obviously, in any job, and we have skill. But when you use the word farmhand, whether that is regarded as a skilled occupation and therefore eligible to be considered, is my question. I am sorry, I guess I am asking a question, but—

Senator NASH: No, that is a fair point. So did you then drill down into things like fencers, machinery drivers, tractor drivers—

Ms Paul: Why don't we take that on notice?

Mr Maynard: We would have to take that on notice, yes.

Senator NASH: Could you actually provide for me in a significant amount of detail the exact agricultural and horticultural skills that you considered as part of the compilation of the list, and which you then discarded through lack of need—obviously the National Skills Needs List—

Mr Griew: There could be a confusion here, though. As the Minister said, it has got to be an ANZSCO classification to be on the list. So generic kind of classifications of worker won't necessarily be on it, given the nature of what the list is for.

Senator NASH: No, I understand that, but to encapsulate an entire industry occupation—you need a skill to have an occupation.

Mr Griew: Yes, that is right.

Senator NASH: So there must be a set of skills that sit underneath farmhand that would be considered.

Senator Chris Evans: But that is what I am saying, There is a list of occupations. I can't remember how many are on the list. I am not sure farmhand is on the list. Therefore it wouldn't show up as a shortage, if it is not on the list that has been examined for shortages. I may be wrong, but I am just raising the query. When you use a term like farmhand, I am not sure if it is—

Mr Griew: And we wouldn't go and redo ANZSCO. That wouldn't be our role; we take what is—

Senator NASH: No, I understand that. Is this then not potentially an anomaly?

Senator Chris Evans: It is hard to distinguish, but sometimes when people talk about a skill shortage they mean a labour shortage, and, as I said, there is a skill in every job.

Senator NASH: No, I understand that.

Senator Chris Evans: But traditionally, you know—are you talking about tradesmen and above skills? Are you talking about Cert IV skills? Are you talking about Cert III skills? And I am not saying you particularly, but you get into this thing, and often what people really tell me about skill shortages is—for instance, in WA, during the last economically strong period, or more strong period, what cafes in Perth wanted was kitchen hands. Now, I am not sure that would show up as a skill shortage, but it was certainly a labour shortage at the time. So I am just urging caution in terms of what you may be talking about in part is—I have got agriculture talking to me about fruit pickers, etcetera. I am not sure that would show up as a skill, but there is a shortage of fruit pickers. And I just want to make sure we are on the same page.

Senator NASH: We are, and that is a very good point that you raise, because what is the relative skill to the occupation? And I suppose that is the question that I am asking to be looked at, and you know, you are quite right. You might want a kitchen hand, the skill is peeling potatoes, at times. But whether that is on the list—

Senator Chris Evans: Yes.

Senator NASH: I am just trying to drill down on how you actually get to the determination of the skill, and how they fall under the industry.

Ms Paul: Yes. I think the best thing we can do for you is take on notice, looking to spell out for you, to be absolutely transparent about it, what the relevant things are on the code that we would have looked at.

Senator BACK: Is it a skill or an occupation that gets onto this ANZSCO list?

Mr Maynard: ANZSCO is the classification of occupations.

Senator BACK: Occupations, right.

Mr Maynard: They are broken down into finer and finer level details. My understanding—and I am happy to be told I am wrong—is that this is classification that is put together by the Bureau of Statistics. The question here is the relationship between that and Australian apprenticeships, the capacity to do a course in a certificate II, III, IV and so on

qualification in that area. So to use the minister's example, I doubt you are going to find a fruit picking certificate III course. And so therefore you are unlikely to see the relationship fitting into here. Now, the question then is, if I understand correctly, has the skill been identified in three of the past five years, including one of the last two, as being in shortage? So the NFF example that you have cited, Senator, talks about an expected need in the future, and my response to that would be, the NSNL is based on systemic, long-term needs to fill skill shortages. So it may well be the case at this point in time, or in three of the last five years, that there has not been identified the level of skill shortage, and therefore that criterion would come into play when choosing whether or not to put an occupation on the National Skills Needs List.

Senator BACK: And can I ask further to that, then, if it is the Australian Bureau of Statistics that actually placed them on, do they glean that information based on surveys they conduct of employers and industry groups?

Mr Maynard: Sorry, I have perhaps been loose in my language. It is my evidence to you that the Bureau of Statistics creates the ANZSCO list. How the National Skills Needs List is then created is by survey work undertaken by DEEWR, and that is based on the criterion that Mr Owen read onto *Hansard*, so it is based on labour market research and feedback of the number of vacancies, demand at a particular point of time each year, and we can certainly provide, as we have taken on notice, that detail to the committee.

Senator BACK: And that is really what I want to get to, if I may, Mr Maynard. How does the department source where those vacancies are? For example, in the case of agriculture and agribusiness, it has been put to me that that information has been sourced from city-based vacancy levels in newspapers. Would that be an accurate portrayal?

Mr Maynard: As I am not au fait with the detail there, but I will happily take that question on notice.

Senator BACK: If you would, I would be appreciative, because whilst we have been talking, I actually just went onto seek.com, and as at this very moment there were 549 vacant positions in agriculture, and accepting the minister's comment that we haven't had that broken down, and then you mentioned horticulture, and I then put horticulture into the seek vacancy, and there were 209 positions. I would be keen to know what the source is of the advice to the minister, in terms of where these vacancies come from, because self-evidently, of course, inquiring in the *Sydney Morning Herald* or the *Age* or the *Australian* for positions associated with anything to do with agriculture or horticulture would be an exercise wasted.

Mr Griew: The department does conduct surveys of employers' recruitment experience and it does so around Australia, 26 regions in the last year. We will answer the question on notice, but it is unlikely we would be relying on capital city recruitment pages—

Senator BACK: That would be good. And again, without venturing too far into our report and recommendations, I would be interested to know, if at all, whether the environmental scans from the industry skills councils find their way in advice to the department in terms of both current and predicted vacancies, because one would have thought that would be a core role they would perform.

Mr Griew: I can give you an example. The Community Services Industry Skills Council's advice on the shortage of home and community care workers in its current environmental scan

was part of the evidence base for the nomination of aged care as one of the two priorities for the new workforce development fund. That would be an example of that.

Senator BACK: So that is an example affirming your—

Mr Griew: Yes. Use of that material.

Senator BACK: Use of that material. I would be very keen to know. Thanks, Senator Nash.

Senator NASH: Thank you, Senator Back. Could I just ask you, the Australian Apprenticeship Workforce Skills, how does that actually operate?

Mr Maynard: The line in the PBS on the Australian Apprenticeship Workforce Skills Development, that is a title which contains a number of different subelements, including funding for things such as group training in the trades, the teaching and learning capital fund, a national training system, Commonwealth own purpose expenditure line for funding with the states, and so on, Green Skills Agreement, strengthened role for ISCs—it is a title for a group of programs.

Senator NASH: So under that group of programs, we have obviously got \$253 million—the current financial year, which then drops to 92 million, 89 and 91 respectively, over the forward estimates. What is that reduction related to?

Mr Maynard: Yes, the significant change is the cessation of the Productivity Places Program which also falls within that broad heading.

Senator NASH: Okay. So the redirection of that funding to the other program does not fall under this heading, the new program that it has been redirected to, which we were just discussing?

Mr Maynard: That is correct.

Ms Paul: No, that is right, because the new national partnership actually will, I think, to some extent show up in Treasury. I think it is how it works, but that is right. See, it is showing the cessation but not the next thing that we discussed before. We have sort of been through this before.

Senator NASH: So where does that increase show up? Obviously, there is a shift in the budget somewhere. It is out of here. Where has it gone to, where does it now show up? I have just been advised that under the Australian Apprenticeship Workforce Skills, the cessation of funding for the PPP is the reason for the reduction in the figures here in the forward estimates. Given that there is the shift in that funding to the new program, I am just interested to know where the funding is now showing up.

Ms Sakkara: It is a very complicated picture because the new funding is made up of a pool of money that has come from various savings measures including from what would have been the future of PPP. And it is difficult to interpret that from what is published in the budget papers. I am not sure exactly which table you are looking at.

Ms Paul: Can we take it on notice and just kind of draw a picture for you, because it is so complex to track. I would much rather take it on notice than try to unpick it here, and I don't have the CFO in the room.

Senator NASH: No, I am very happy with that.

Ms Paul: Thanks. Well, some of it goes down into Treasury as well, so I would like to actually draw the picture. I know it will just save you a lot of time.

Senator NASH: No, that would be very useful. Obviously, it is a bit of a jigsaw puzzle.

Ms Paul: It is, it absolutely is.

Senator Chris Evans: Because there are savings measures which are detailed in the budget papers, there is redirection of funding which accounts for the drop in that line item, but we will get you an answer which explains the ebbs and flows.

Ms Paul: Yes. I think that is the best way, just to show it on a table, or whatever.

Senator NASH: That will be great; thanks. The Australian Apprenticeship Centres, when does the current contract for that expire?

Mr Maynard: The current contract runs through until June 2012. We are currently settling the form of that contract, which is an extension from the previous contract which expires in September of this year. So the existing arrangements will be in place through until end June 2012.

Senator NASH: Twelve. I assume there will be some sort of new contract drawn up at that point, or what is the process?

Mr Maynard: There is consultation currently underway with the broad range of stakeholders as to the best form of support services to be provided to Australian apprentices, employers and others, to ensure that we don't duplicate services with the states, to ensure that we have a nationally consistent quality of service that is provided, and the arrangements that will apply from July 2012 onwards will be subject to the outcome of that consultation process.

Senator NASH: Do I read from that then there is a possibility that it might be cut, ceased?

Mr Maynard: That would be one of the very many options that would be possible.

Senator NASH: When do you expect to have that finalised?

Mr Maynard: I anticipate that government would be considering that as part of their substantive response to the expert panel report, which the minister has already stated would be announced before the end of this calendar year.

Senator Chris Evans: It is a priority for the second half of the year—I have quite a concern about the need for reform in that area. The report pointed to the need for a reform agenda. We did a couple of measures in the budget, like the mentoring and the competency based training, which were key elements to the report, but there is a lot more that had to be done. But that was sort of the couple of things I was able to get into the budget process. And the reason we extended the contract is to give them certainty till that time, while we worked out what the reform proposition will mean for them, among others. So, as I recall, we just renewed it on the same basis budget.

Mr Maynard: Correct.

Senator NASH: So you said that was just so you could give certainty to—

Senator Chris Evans: Yes. When was it due for renegotiation?

Mr Maynard: The existing contract expires at the end of September. It has been extended through until the end of June 2012.

Senator Chris Evans: So rather than them waiting for an announcement that I might make, say, in August or September, we said, 'Go through to the end of June and that way you will be very clear of the way forward before—'

Senator NASH: That will obviously give you time to make a determination from the advice given to you of how any new—

Senator Chris Evans: Yes. They have certainty up to the end of June. I am not saying it will have a big effect on them. I do not know the answer to that, but it gives them certainty, rather than us renegotiating another three- or five-year contract, and then coming back in December and saying, 'We don't want to do that anymore.'

Senator NASH: Yes. And if there are going to be new arrangements you want those currently affected to at least have certainty until you have got new arrangements in place.

Senator Chris Evans: Yes.

Senator NASH: That would seem a very sensible thing to do. How many apprentices are currently enrolled in the centre?

Mr Maynard: The current number is in the order of 441,000 apprentices who are currently in training. Those are Australian apprentices. I make the distinction. When you say 'apprentices' I say 'Australian apprentices' because the terminology 'Australian apprentices' means apprentices and trainees.

Senator NASH: So all of them are enrolled.

Mr Maynard: They are currently in training; yes.

Senator NASH: Would there be any reason for an apprentice not to be enrolled?

Senator Chris Evans: I think we might be confused. Mr Maynard gave you the answer to what I think he thought the question was: how many are actually enrolled in training?

Senator NASH: No.

Senator Chris Evans: Your question was more specific to the centres—

Senator NASH: No, my question was: how many were with the apprenticeship centre? Sorry.

Senator Chris Evans: I think Mr Maynard answered another question.

Mr Maynard: Okay.

Mr Owen: Senator, every apprentice on that list will have been supported in establishing their training contract through an Australian apprenticeship centre or a group training organisation.

Senator NASH: So an employer can access them through the centre?

Mr Maynard: Yes.

Senator NASH: How do you actually measure the performance of the centres?

Mr Maynard: There are a number of key performance indicators that we record and report on publicly in relation to Australian apprenticeship centres. It includes satisfaction from employers and apprentices as one of the measures. It includes timeliness, I believe.

Ms Paul: And workload, I think.

Mr Maynard: So there are five KPIs: percentage of incentives from personal benefit claims which are processed within 10 working days, accuracy in assessment of incentives in personal benefits eligibility, the Australian apprentices' satisfaction, the employers' satisfaction, and the fifth one escapes me.

Senator NASH: Does it have a hole punched through it? If you would not mind supplying the last one on notice, that would be good.

Mr Maynard: I certainly will.

Senator NASH: So how many centres are there?

Mr Maynard: Senator, there are 28 major contracts with Australian apprenticeship centre providers. However, they have substantially more sites.

Mr Owen: There are 25 organisations that provide Australian apprenticeship centre services. We have 70 different contracts around the country that cover those services because some are in multiple regions and jurisdictions. We have 22 regions that we break this service up into, in terms of delivery. And there are approximately 350 outlets where people can get assistance.

Senator NASH: So in relation to the KPIs you were talking about before, are the centres all meeting the KPIs for those major contracts—I think you said there were 28—or is there a range of abilities in meeting them? Can you give us a sense of how many of the centres are operating to the level you require?

Mr Owen: The majority of Australian apprenticeship centres are meeting those requirements, but you can look on our website to find a report. It reports every six-month cycle through the life of this existing contract and on some of the apprenticeship centres it says 'not met' and 'all met'. That is a very public—

Senator NASH: So when I go and have a look at that and it says 'not met', what is the next step in the process for those centres that have not met the KPI? I imagine there is something more than just 'not met'.

Mr Maynard: Correct. That is a transparency measure that allows potential apprentices to make a decision. It informs their choice as to which AAC they might choose to seek services from. There is then a contract management process, from our point of view, working with the AACs to ensure that they improve their service as there are a series of contractual obligations that they have to comply with and a series of penalties that would apply if they do not. It is just a contract management exercise but the purpose of publishing this information is to inform the potential apprentices.

Senator NASH: That makes sense. What would be the types of things that would cause a centre not to meet the KPIs and what sort of penalty would they receive?

Mr Maynard: I mentioned a number of KPIs. One would be the KPI of processing the claims for payments in 10 working days. That is something that we would be able to measure relatively simply. Another is the accuracy. That is undertaken. We have site visits, we review the documentation and we make an assessment as to their compliance with their obligations.

In relation to their failing to meet them, obviously if they have incorrectly determined somebody's eligibility they need to correct that. With respect to the issue of the lack of timeliness, it would depend upon the severity of the 'not meeting'. Have they met 90 per cent

within the 10 days? Clearly, if their performance is completely unacceptable there would be the question of removing some of the contractual servicing that they have been awarded. To the best of my knowledge we have not undertaken such a step. Usually it is rectified voluntarily and very quickly, when brought to the AAC's attention.

Senator NASH: Thank you. I turn now to the accelerated apprenticeships that were announced in the budget, which is \$100 million over four years, I believe. Correct me if I am wrong. It is obviously a new initiative. Can you give us a bit of an outline of how that is going to work?

Mr Maynard: Certainly, Senator. The accelerated apprenticeships reform initiative has three components, so I will briefly talk to each of those. The first is \$99.25 million over four years, which is available for funding innovative projects led by industry skill centres and peak industry bodies in partnership with employers, training organisations and other identified stakeholders, to come up with an industry-driven approach to increase the pace at which apprentices have the capacity to progress through their apprenticeships.

Senator NASH: Can I just stop you there. Ms Paul, this relates back to what you were saying earlier about the ability to have the flexibility and concertina down the timeframe for the apprentices.

Ms Paul: That is right.

Mr Maynard: Correct.

Ms Paul: It was particularly in the context of completions. It is one of the major planks in terms of the government's initial response to the expert panel's report into apprenticeships.

Senator Chris Evans: This is part of a larger reform to try and make sure the systems are more responsive. Part of this is to say, 'We will partner with industry.' So the agricultural industry and the ISC came forward and said, 'We would like to train agricultural workers to a diploma level and we have a cohort of farmhands who have a great deal of practical experience. They perhaps do not have the theory or the key competencies but they have been in the industry for a number of years and have a range of competencies.' This would allow for us to help industry and run a program. They might say: 'We will recognise prior learning of farmhands and their experiences. We think to get them to a fully qualified classification'—I am struggling to remember the right title for the sort of trade equivalent classification in agricultural industries but it may be 'farm manager' or whatever—'we could partner with the agriculture ISC for programs which get them to their trade levels based on competency in, say, two years.' So it would be an accelerated process rather than a four-year process, working with the ISC and the industry to meet a skill need. But it would also be the best example of how one can actually skill-up in a way that is competency based.

We announced one program with the mining industry a couple of months ago where we partnered with the Mining Council. That will be taking workers who have been in the mining industry for some years, and up-skilling them to tradesman's level. They are current employees who have had experience; they have been TAs or what-have-you. So competency-based qualifications do not need to be restricted to the existing workforce. That is a classic case where we have people with skills that are not recognised formally, who could be brought up to a trades level in a shorter time than a traditional four-year apprenticeship model. So it is

about recognising their existing competencies and training them in the remainder they need to reach, say, a trade level.

Senator NASH: I am glad I have got you focused very clearly on agriculture now, Minister. It is good to see.

Ms Paul: It is particularly important, not only to achieve the conclusions that we were talking about before, but to respond to the patchwork economy—to respond to skills shortages—because basically you need to turn skilled people out faster if you can.

Senator NASH: I take your point about the mining industry. That is a glaringly obvious example, but what discussions have you had with various industries about how this will roll out and how it would work? I guess the question is about the need for the government financial input to assist this. Why has it not been happening anyway? I am just trying to get an understanding. The principle, I think, is very sound, but in terms of the financial input what sort of discussions have you had with industry that has shown that, yes, this is a goer?

Senator Chris Evans: I will let the officers speak further, but I think it is fair to say that the idea of competency-based training has been around for a very long time. The last time I was involved in this sector and debate was 20 years ago and they were talking about it then. I thought it would have been achieved, and when I came into the portfolio I was a bit surprised at how little progress had been made. But there are examples of very good progress and there are examples where it is fair to say a 19th century framework still exists. I will get into trouble for saying that, I suspect, but as long as I do not name them I might be okay.

Senator NASH: Luckily it is not in the public forum!

Senator Chris Evans: But there is some enthusiasm from a range of ISCs—the officers can talk to that—and a lot of industries and some unions. But I think it is also the case that there is some concern among various industries and trade unions that they do not want any diminution of quality of training or quality of experience. Quite frankly, there is also a bit of a traditional attitude that, 'It took me four years. Four years is what it takes and it ought to take them four years.' To be honest, there are cost issues for employers in terms of the first and second year of an apprenticeship being at fairly low wages. So there are industrial issues that will come before Fair Work Australia later in the year. It is quite complex. The apprenticeship report goes through all these issues. It is a very good discussion, but I will let the officers talk about industry attitudes.

Mr Maynard: Certainly. In relation to the discussions that we have had with industry, I think it is fair to say that every review of apprenticeships that has been done for many years now has picked up the issue of competency-based progression as being a very strongly sought reform both by employers and by unions. The one common caveat applied is that it does not lead to a decrease in the skill level and quality or the competence of the individuals going through the process. The issue is contained within Skills Australia's recent discussion paper. It was certainly contained in the expert panel report and, as I said, it has been brought up in previous analyses of Australian apprenticeships. We have commenced consultation with industry in relation to this particular initiative. We have met with all ISCs and with peak employer and union bodies to talk through the potential use for this. The key features that are stressed in our conversations here are that we are looking for models that will lead to sustained outcomes that are going to provide a widespread benefit and that, wherever

possible, contain a co-contribution requirement. So we do not want industry to come with their hand out. We want them to be equally paid-up players in the game.

Senator NASH: On notice, in as far as you can, could you supply for the committee the consultation that you have had across industry that you were just outlining.

Mr Maynard: Certainly.

Senator NASH: Obviously, it is not a never-ending bucket. There is an amount of funds that has been identified as appropriate. What criteria are you going to use to determine what the most worthy arrangements or projects are going to be? How are you going to measure? If you get a bucket of these good ideas coming forward, how are you going to determine which ones are worthy and appropriate?

Mr Maynard: Those criteria have not yet been settled. We are keen to talk more with industry to understand the type of projects that they believe may be of benefit. That will then inform decision by government as to the criteria that would be applied.

Senator NASH: So how was the figure of \$100 million arrived at, given that we do not have a set of criteria here that we are going to measure?

Senator Chris Evans: As with all budget decisions, on the basis of science, Senator.

Senator NASH: Would you like to enlighten us as to the science, Minister?

Senator BACK: Science of the dark!

Senator NASH: The dark arts!

Senator Chris Evans: Ministers try and get as much as they can for their portfolio, for their projects, and a number is settled on!

Senator NASH: So it is a bucket of money that will be worthwhile.

Senator Chris Evans: No, there was more science to it than that.

Mr Griew: So we would anticipate a cost in the order of—

Mr Maynard: Just to be sure, the 99.25 million is available for this. Go on; I apologise for interrupting.

Mr Griew: So 25 projects at about \$4 million a project gives you sufficient depth and breadth to be able to have the kind of impact that the minister and Michael Maynard have been talking about in terms of proven concept, trying different approaches and having impact on a number of different industries.

Senator NASH: Can you give me an example of a project, and how many apprentices might be part of that project? I am just trying to get a sense. If you have got 25 projects and \$4 million—

Senator Chris Evans: Perhaps the best thing would be to describe the agreement we reached with the Minerals Council and which I announced publicly with the Minerals Council a couple of months ago. It is not one of those programs but it will give you a sense of the sort of thing we are talking about.

Senator NASH: So basically that is, in a sense, a kind of a template of how this would work with other industries.

Senator Chris Evans: That is correct; yes.

Ms Paul: It is an example. There will be many different forms, but that is an example.

Mr Maynard: In that particular case the Commonwealth contribution is \$2.2 million.

Senator NASH: Over what period of time?

Mr Maynard: Over the current financial year. It is to be drawn down by the organisation over, I believe, 18 months. There is also an industry contribution. As the minister said, there is an arrangement with the group training organisation, who is working with the Mineral Council of Australia and a variety of training providers and a number of resource sector enterprises. The anticipated outcome from that will be 1,000 trained tradespersons. So they go from being, at this stage, unqualified to qualified, through a combination of recognition of prior learning, competency-based progression and—

Senator NASH: Over the 18 month period?

Ms Paul: In 18 months, rather than in the X years it would take now.

Senator Chris Evans: I think it is a minimum of 18 months. Some of them will be longer, depending on the competencies.

Senator NASH: Yes.

Senator Chris Evans: So instead of saying to a mature-age worker who has been in the mineral industry as a TA or other classification for 10 years, 'You've got to go back and do a four-year apprenticeship,' we say, 'We'll assess your prior learning and your competencies and it may be possible for us to get you to a tradesman level in 18 months.'

Senator NASH: When you do have the criteria for it could you supply that to the committee.

Senator Chris Evans: They will be released publicly when we go out to the round, as it were.

Ms Paul: We want to talk to industry. This initiative is all about being industry led, and we want to talk to them about how they think it should work before we just hit them with a set of criteria.

Senator NASH: Can I just turn to what was the Vocational Education Broadband Network, which I gather has now been subsumed into the NBN process. When was the Vocational Education Broadband Network announced initially? When was it instigated?

Ms Paul: I cannot recall. It was a couple of years ago but I cannot remember. I am not sure that we will have that.

Mr Griew: It was April 2009 that the then prime minister announced \$80 million just to have us operate the VEN for an initial three-year period.

Senator NASH: What was the funding allocated to that at the time?

Mr Griew: It was \$80 million over a three-year period.

Senator NASH: I understand that that has been scrapped now and has been subsumed by the NBN—

Ms Paul: In effect it has been subsumed by the NBN.

Senator NASH: Yes, that is what I am getting at.

Ms Paul: The NBN has overtaken it, really.

Senator NASH: Yes. The NBN has overtaken a lot of things! So how much of that funding has been expended to date, and what has happened in terms of the start of any kind of roll-out?

Ms Paul: I am not sure that anything has been expended. We may have to take that on notice.

Mr Griew: I think most, if not all of it, has been transferred into the NBN.

Ms Paul: Yes, because in due course, if the NBN had not happened, it would have been subject to a tender process and so on, and we have not done that. We have not needed to do that because the NBN is coming along. So I think you will find that there is little expenditure, if any, that has been made.

Mr Griew: Up to \$70 million was allocated for the establishment of the VEN backbone, the broadband element, which is what is being overtaken, and in the order of \$10 million was allocated for the delivery of services over that network. So it has basically been overtaken by events before it—

Senator NASH: Okay.

Ms Paul: I think there has not been expenditure, but I would like to take that on notice and check it.

Senator Chris Evans: I think there is a similar measure in the schools there.

Ms Paul: That is right.

Senator NASH: That is understandable. So this was 2009. At that point in time, when was it envisaged that this would be rolled out and done and dusted? There must have been a target date at the time to have this up and running?

Ms Paul: The money was over three years so I think we would have been, more than half-way through or halfway through.

Mr Griew: We would have been half-way through.

Ms Paul: So we had done some legwork on it. We had been out and talked with the relevant players in the VET sector and so on. But you could start to see in due course—not just before budget, but a while ago—that the NBN might actually make this redundant.

Senator NASH: I understand that the NBN discussions were starting to happen, so it probably went on the backburner, but was there a date at which this roll-out would start? When it was instigated the funding was allocated. What was the start-up date?

Ms Paul: I would like to check whether there had been a start date given. I am not sure there was a start date given or a target date, and the reason is that we would not have known what the result of a tender process would be. The tender process itself, for a backbone, would have elicited potential providers of a backbone, and in their tenders they would have had to say when their start dates might be. I will take that on notice, but I am not sure that there was a particular single date.

Senator NASH: So how was the backbone actually going to work? Was it going to duplicate existing services?

Ms Paul: In effect, it would duplicate what NBN will do, and that is provide the fibre backbone to the TAFEs.

Senator NASH: How many TAFEs across the country?

Ms Paul: I said 69 this morning. I may stand corrected, if we have lost one or gained one or two.

Senator NASH: So under the NBN, when do you expect this to be operational?

Ms Paul: I am not sure of that, and of course that is in the other portfolio, so can I take that on notice? I think that is probably the best thing to do.

Senator NASH: You can indeed. Thank you, Ms Paul. Just back onto the apprenticeships for a moment, there was one thing I did mean to raise. I understand that the ABC *Heywire* program had proposed an agricultural apprenticeship outside of the context of what we were talking about before, the skills list. I think there was some comment before about where agriculture currently fits in terms of apprenticeships. Does what currently exists mirror the *Heywire* proposal? Are you aware of it?

Mr Owen: Senator, staff from my branch actually engaged with the *Heywire* people.

Senator NASH: Good on you!

Mr Owen: It was a very, very exciting initiative—we enjoyed that a lot—and this idea came forward. Maybe there is an amalgam of existing occupations that should be identified that way, and we have been looking at whether that is something we can encourage and whether there is viability around that idea, following on from that suggestion from that group. At the moment all of the occupations are defined a little bit separately, but this was the idea of bringing together a kind of farmer's qualification and therefore some structured training around that. We are looking at that.

Senator NASH: When do you expect to have some sort of determination of whether it is worthy or not? You are obviously looking at it at the moment. Is there any kind of target date by which you will make a decision?

Mr Owen: Yes. It has been more an issue of us engaging with some of the other people who are involved with the structure of the courses and the qualifications. In the apprenticeships branch we are very much about being at the output end of that process, but here was an opportunity for us to say, 'Here's a good idea that has come from these young people from rural and regional Australia,' and we have been talking with people about that further upstream.

Senator NASH: 'Upstream': does that mean the minister?

Mr Owen: Yes.

Senator Chris Evans: That was the line upstream, was it?

Senator NASH: Very genuinely, is this something that there have been any discussions with the minister about, to date?

Senator Chris Evans: No, not that I am aware. There may have been in my office, but it seems to me to be a good idea because it would also help with retention of people in regional and rural areas if there was recognition of learning, et cetera. So we are open to the idea. I presume the agricultural ISC has been engaged.

Mr Owen: They have been a little bit and we have been talking about it with the individual young people as well. Part of the consultation we are about to engage in with

apprenticeship reform is engaging with people like the NFF as well. We will be discussing it with them.

Senator Chris Evans: There is a traineeship, though, isn't there?

Mr Owen: There is a range of—

Senator Chris Evans: At the annual awards nights, last year, there was a young woman from the agricultural traineeship who won the trainee of the year award. Now she has gone on to do agriculture at Sydney University, I think. She is a very impressive young woman.

Senator NASH: Excellent. I shall look forward at next estimates to hearing the results of the discussions between the department and the minister around the *Heywire* proposal. I understand there is \$20 million in grant funding for the Productivity, Education and Training Fund over two years. Again, correct me if I am wrong. It is for peak employer groups and union organisations to inform and educate their membership about productivity. I think it is on page 99.

Ms Paul: No problem.

Senator NASH: So how exactly will this money be spent? I suppose I am trying to get an understanding, if there is \$20 million to go to peak employers and to unions, why there was an identified need to give this money to employers and unions just to inform and educate their membership about productivity and identify initiatives that promote productivity growth?

Mr Griew: This is an initiative which is about promoting productivity. Productivity is a high need in the Australian economy, as we know, and the initiative here is to support both employer and employee organisations to promote to their members the value of productivity from their point of view and the kinds of skills that they will engage in pursuing productivity and the benefits it has for them.

Senator NASH: For example, how much will go to a union? How will you determine how much funding goes to a specific union and how do you expect them to expend that funding?

Mr Griew: The funding that is available is over two years. It is envisaged that half would go to employee organisations and half to employer organisations. The department will be approaching peak national bodies with the greatest possible reach seeking proposals as to the best effect that can be achieved for that funding.

Senator NASH: Okay.

Senator Chris Evans: Many of the employer organisations and the unions through joint arrangements have RTOs already, so they actually have vehicles of their own that could provide training. But it will all be done on the basis of them providing training to, if you like, drive the new enterprise negotiation framework and make sure they have got the skills to get good productivity outcomes from that process.

Senator NASH: Sorry, I might not be reading this correctly. From the PBS it talks about informing and educating membership about productivity. What you are saying is it is direct training to make them more productive. So there is a difference there, isn't there? I am just trying to understand it.

Ms Paul: No, all educating is the same.

Mr Griew: Educating and training in the skills to pursue productivity.

Ms Paul: This is quite an exciting initiative. Even though our economy is booming our productivity level should be better in Australia in the economy. And this is a way of actually getting both employers and employee organisations focused on how to actually improve productivity within workplaces so, absolutely, training within a workplace about how you can improve. Is it business processes, is it HR processes? What is it that you need to do to focus on productivity? As the minister says, then that will inform the negotiations between employers and employees on productivities when, say, a collective bargain, an EBA or whatever is renegotiated.

Senator NASH: So am I right in understanding that there is the \$20 million there and employer groups or unions now have the capacity to come to you with a model of how they expect expenditure of some of this fund will increase their productivity.

Ms Paul: Yes. And one of the things we would hope for from this would be being able to disseminate some of those learnings as well. So we are trying to kick-start some really innovative ways of increasing productivity within workplaces which will then contribute to Australia's overall productivity. So that is where it starts really.

Senator NASH: Understandable. I think you will probably give me the same answer. The figure of 20 million, how is it determined that that was the appropriate figure for the fund?

Senator Chris Evans: Mr Griew had a much better answer than I did last time, so I had better refer to him.

Senator NASH: I quite liked yours, Minister. I thought it was honest and straightforward.

Senator Chris Evans: There was a basis for the claim, but I might have bid for 50 projects at 4 million, but we ended up with 25.

Mr Griew: I think it is the same principle, that the government has determined that they want to make a significant impact in the capacity of both unions and employer organisations to transact the current bargaining and other relationships they have with better skills and this is a significant but not an implausibly large amount. It is a serious attempt to get those skills built up in those organisations.

Ms Paul: We have not done it before, so we do not really know how much each project will be worth but, as Mr Griew says, it is a decent amount of money to do something quite innovative, but not too much to be irresponsible.

Senator Chris Evans: Often all we have had is a productivity discussion in workplaces whether you cut the smoko from 15 minutes to 10 minutes. Quite frankly, it has just not been at the cutting edge of productivity.

Senator NASH: It is not exactly high tech, is it?

Senator Chris Evans: No. And I think people always focus on the industrial relations aspects and that is part of it, but also it is about management skills. And a lot of the peak employer organisations would say that one of the weaknesses in Australia at the moment is management skills. And if they are asked to try and drive productivity, they have to make sure that the managers as well have the skills base to identify what can be done, how they might drive it and how they might work with their workforce to achieve it. We have to be more competitive and we want to try and lift productivity and part of that is looking at smarter, more productive ways to operate. So we are trying to support that sort of development.

Senator NASH: So what is going to be the criterion through which you will measure the success of the funding expenditure on a project-by-project basis? Having had these projects brought to you, tick off, 'This sounds like a good idea. This will increase productivity', and the funding goes to the employer group or to the union. How is the department going to measure whether or not that funding expenditure has been a success?

Mr Griew: This is an activity where we have not done this before.

Senator NASH: But you must have some idea how you are going to measure whether or not it has been worthwhile or the funding has been—

Mr Griew: That is where I was leading. So this is not an off the shelf; it is anything but. So I imagine that we will be keenly attentive to actually what happens in workplaces as a result, so we would be wanting the organisations in their response to our invitation to make a proposal to explain to us how they are actually going to measure and report to us the learnings. What works, what does not work, what kind of skills and approaches actually seem to get some take-up in workplaces in their experience, because part of this is then to promote those approaches.

Senator NASH: I understand the intent, which is fine, but in terms of an audit process or a measurement what are you going to require from the organisations for them to have met a level of success with that?

Mr Griew: So we would be requiring from organisations that make a proposal detail about how they would be undertaking evaluation of their activities, their successes, their failures, how it goes. We would then be doing an evaluation, if you like, a meta evaluation of those experiences. They will report to us, 'This is what we have learnt from this activity' and we would have probably a commissioned third-party expert evaluation of what was learnt from this experience.

Senator NASH: So in terms of an audit process to ensure that they expend the funds as they say they are going to when they come to you with their projected idea.

Ms Paul: That would be our normal acquittal process.

Mr Griew: That would be a standard contractual requirement. They would have to account for the expenditure. I was talking about on top of that.

Ms Paul: That would be just in the funding agreement.

Senator Chris Evans: There will be milestones and achievement levels they would have to reach in order to be funded further.

Senator NASH: When you get to that point of when this has been determined, again, if you could provide that for the commission.

Ms Paul: Yes, sure.

Senator NASH: I am sure the minister will make an announcement. And, again, any penalties that are likely to be imposed for not meeting the contractual obligations.

Ms Paul: Yes, that is fine.

Senator NASH: That would be great, thanks. Finally, in this section, students who are studying a TAFE VET or VET at school course in years 11 and 12 at government high

schools do not have to pay a levy, but those attending non-government schools do. Is that correct? This is something that has been raised with me recently.

Ms Paul: I don't think so.

Senator NASH: No.

Ms Paul: I am not sure what that is. I have never heard of such a thing. Do you have a specific example? Put it this way, there is absolutely not a national policy that would go to that. If there is a school which has a policy, a non-government school has that policy, that would be a matter for the school. It is not something which we have imposed or would impose at all.

Senator NASH: Thank you. Thanks, Chair.

CHAIR: Thank you. Do we have any other questions on VET?

Senator NASH: I think I and also Senator Back are about to have a few questions on the VET regulator and then I think we go to higher ed with Senator Mason, whose office is listening.

CHAIR: Then we will continue on with the program.

Senator NASH: One of the issues that has been raised as a result of a VET regulator is the impact on the RTOs. And I understand that there are likely to be additional costs for the RTOs of the implementation of the regulator. Is that correct?

Ms Sakkara: There are some decisions to be made about the fees that will be charged by the new regulator and that final decision will be made by the ministerial council. At present there is a draft fee schedule that is out for consultation. It is consistent with the decision of COAG that the regulator would operate on a cost recovery basis. Currently, in the state regulation systems, the states subsidise at different levels the cost of regulation in their state. The new schedule of fees will, at least, technically increase the level of fees for some providers, but the decisions are yet to be made by the states as to what level of subsidisation they will provide for their providers.

Senator NASH: And the Australian Skills Quality Authority, this is the draft consultation. This one was at 15 April. Is that still the current draft?

Ms McEwen: No, it has been updated since then, but our new one has not yet been released. So it is the current one available, but the regulator on the basis of information has updated.

Mr Griew: And we stress this is a decision still to be taken.

Senator NASH: No, I understand that.

Mr Griew: There is a policy rationale here which is important, which is consistent with the principles of good regulation in an industry which has rapidly expanded and has 5,000 providers. There would be a good reason for having a fee payable to enter the industry to indicate, apart from anything else, the seriousness of the enterprise.

CHAIR: The VET regulator, once it is established, did you say that it is going to be self-funding?

Ms Paul: It has got a significant Commonwealth funding base.

Mr Griew: Yes, it is not entirely—

CHAIR: So it is going to appear here as an agency?

Mr Griew: Yes.

Ms Paul: Yes, absolutely. And there is a significant funding line for it.

Senator Chris Evans: We are trying not to make that public, Senator. We are trying to get someone good to fill the job!

CHAIR: Yes. I was just wondering, because it would appear when we set up—and I know this is not this portfolio—but the national health regulator, has disappeared completely from any scrutiny because it is self-funded and does not appear at the estimates. And it charges twice as much and takes twice as long as it used to under the state system and there is no ability to actually question their efficiency.

Senator Chris Evans: But as you know, Senator, this has been established by an act of this parliament.

CHAIR: I think that body was as well. But, anyway, it is not this portfolio, but I just wanted to check that this body will appear and be subject to scrutiny.

Ms Paul: In terms of estimates there is a funding line to it, so there is an appropriation.

CHAIR: Even if it had become through fees and other things self-funding and did not require a funding line from the Commonwealth would it still appear as a Commonwealth agency here?

Ms Paul: That is a good question. I would have thought it would, but I would probably have to take advice.

Mr Griew: It is still subject to legislative scrutiny. It is established by an act of the Australian parliament.

Senator Chris Evans: We will take on notice the formal question, Senator, but it is certainly our understanding that it would do.

Ms Paul: Yes.

Senator Chris Evans: I am more than happy for it to do so, but we will get you the formal answer.

Mr Griew: My ears did prick up too in the way in which we expressed the answer, it is not envisaged that the fees charged would pay for the entire agency anyway, so there is a substantial appropriation. I think it is in the order of \$50 million over the estimates period.

CHAIR: Thank you. Sorry, Senator Nash.

Senator NASH: Taking into account that obviously there are forms of subsidy across the states and territories, if we can just have a look at the draft, though, it is well over \$10,000 for the five separate sections and the related fees. And, again, taking into account that there may or may not be a subsidy, that is going to have a significant impost. Is that a one-off across the board fee for the RTOs or is this for each course offered by an RTO?

Ms McEwen: There will be some flat fees, but then in addition to that there will be fees that are charged per each course that is being offered. So depending on the scope of registration a large RTO will be charged more than a small RTO.

Senator NASH: But the one I have added up here this is the flat fee, so the application for registration renewal as an RTO, assessment and registration, application for change of RTO,

scope of registration, additional monitoring activities in the offshore monitoring, that is all the flat fee.

Ms McEwen: I am not sure. I do not have it in front of me, I am sorry.

Mr Griew: And this is a draft schedule.

Senator NASH: I understand it is a draft, but that does not mean we cannot talk about it.

Mr Griew: No, we are answering it as if it is—

Senator NASH: I understand it is a draft. It is very clear, draft. It says 'draft'. To be very clear for the *Hansard* it says 'draft', but I am just trying to get an understanding of that, which is what roughly amounts to \$10,000, \$13,000 or \$14,000 that is going to be a flat fee.

Mr Griew: We might take that on notice.

Ms McEwen: We might take it on notice, but I do not think that is correct.

Ms Paul: So the problem here is, Senator, that that was put out as a draft. Not surprisingly it got a bunch of reaction. The interim VET regulator is considering it. The ministerial council has yet to consider it. I think it is just too early for us to speculate. I feel a bit nervous speculating on behalf of an agency which actually we do not represent, because there is an interim agency whose personnel have to think about this issue. So if you do not mind we will take it on notice. We will have a lot more to say next time because it will have been through some of these processes.

Senator NASH: Absolutely. And I understand that, but given that you have got responsibility for the VET regulator there are going to be some costs associated with that.

Ms Paul: Quite so.

Senator Chris Evans: Senator, there is also the case that the final decision is for the ministerial council, so normally the sort of buck stops alone with me, but not on this occasion.

Senator NASH: No, I understand that.

Senator Chris Evans: But I would like to tell you that I was going to be able to carry them with me on any argument I put there, but I will tell you the result when we come out of it.

Senator NASH: That being the case we will leave it. When do you expect this to be finalised?

Ms Paul: When is the ministerial council?

Ms McEwen: It will be going to the ministerial council in the next couple of weeks.

Ms Paul: If you would like us to report out of session of estimates we can do that on notice if it comes through.

Senator NASH: I understand it is going then, but do you have really any target date of when this is going to be settled, when it is going to be determined?

Ms McEwen: It has to be in place by 30 June.

Senator Chris Evans: The VET regulator takes up responsibility on 1 July.

Senator NASH: Sorry, I actually meant when there is going to be a determination on the proposed fees and charges?

Ms Paul: Yes, the same.

Senator NASH: So at some stage between now and 30 June we will have a firm idea.

Ms McEwen: Yes.

Senator NASH: As I understand it, it is a cost recovery model. Is that right?

Ms McEwen: Yes.

Senator NASH: So do we not have an idea of what the costs are?

Ms Paul: I think we have just been around this.

Mr Griew: It is a partial cost recovery model, I think.

Senator BACK: Which part?

Ms Paul: A good question.

Mr Griew: The part not covered by the appropriation.

Senator Chris Evans: There is a substantial appropriation in the budget from the Commonwealth to support the national VET regulator. In addition, the Ministerial Council has to settle on a fee structure which is to provide partial cost recovery from those organisations who are regulated by the VET regulator. And I think it is about 50 million in the four years we have got for that regulator.

Ms Paul: That is right.

Senator Chris Evans: So we have made a substantial contribution to the costs.

Senator BACK: Is the 50 million the Commonwealth contribution or the 50 million the balance?

Ms Paul: No, 50 million is the Commonwealth's contribution of setting up and running the VET regulator.

Mr Griew: I am advised that part of the material that has been put out in draft form for consultation includes an estimation of the costs to be recovered. So the answer to your question, essentially, is, yes, there is out there public both a draft fee schedule and a draft estimate of the costs that it is anticipated to cover.

Senator NASH: That clarifies it well then.

Mr Griew: So if you do not have those, we can make them available.

Senator NASH: This is a draft of the costs of the accreditation?

Ms Paul: Yes.

Senator NASH: If it is a draft of the costs, though, I understand it is then subject to change, but if these are the costs, these are the costs, aren't they?

Ms Paul: I think the issue is how they get distributed, what sort of componentry, what time frames for activity and so on and I just feel a bit nervous of going further until we have got advice.

Senator NASH: That is fine. We will have a crack at the next lot of estimates and hopefully there is a bit more information.

Ms Paul: Yes, absolutely. It will be clear.

Senator NASH: Before you told me it will happen sometime between now and 30 June, but now it is going to be settled by the next estimates.

Mr Griew: No.

Ms Paul: No, 30 June, like weeks away.

Senator NASH: This 30 June?

Senator Chris Evans: Are you suggesting we have estimates again before the end of June!

Senator NASH: No. As much as we like spending time with you, Minister, no, I think it will fairly right at the next estimates.

Senator Chris Evans: No, I meant the next estimates.

Senator NASH: Sorry, I completely misunderstood. So you will have this settled in four weeks time?

Ms Paul: Yes.

Senator Chris Evans: That regulator starts on 1 July in a number of states.

Senator NASH: It has got to be done and dusted by then. Thank you very much. Thank you, Chair. I believe Senator Back has some questions.

Senator BACK: I do, indeed, thank you, Senator Nash, Chairman. Can you just tell me what the progress in negotiation liaison with the two non-referring states is, please?

Ms Paul: Sure.

Mr Griew: We have been in close consultation with officials in both jurisdictions, recognise that their governments have a different position. They have not chosen to refer. Our earnest concern is to, nonetheless, minimise the impact on providers in those jurisdictions by organising within, of course, the constraints of information handling, protocols and law the transfer of information and the provision of opportunities for staff to come across to the new national regulator for the jurisdiction in those states that the regulator will have, to avoid us then having to go to the providers and ask them to reregister.

Senator BACK: And non-government providers from those non-participating states, where do they sit in the new scheme of events?

Mr Griew: It depends on their business. If they transact their business entirely within their jurisdiction and without international students or international business then they will not fall within the jurisdiction of the new national regulator. If they have interstate or international business then they will fall within the jurisdiction of the national regulator.

Ms Paul: It is the same between public and private.

Mr Griew: Regardless of whether they are public or private, yes.

Senator BACK: So if they are a public provider offering international programs they will come under the umbrella of the national regulator for those courses.

Mr Griew: That is right.

Senator BACK: For those students or for those components.

Mr Griew: No, that will bring them within—

Senator Chris Evans: That will bring the institution within the framework.

Ms Paul: It brings the RTO in.

Senator BACK: The whole institution, sorry. If a TAFE in Perth is offering an international course will it be that TAFE in its entirety or just for the programs that they run with international students?

Ms Paul: I think the definition is on the basis of the RTO, it being a registered training organisation. So that means the institution.

Senator BACK: In terms of the questions we were asking a few minutes earlier with regard to the overall costs, how do the non-participating states participate in that funding break-up?

Mr Griew: There could be a couple of meanings to your question. Tell me if I did not understand the question properly. The institutions in those states will pay according to the fee schedule of the national regulator, because they will fall under the national regulator's jurisdiction.

Senator BACK: Right. So it will be on some sort of a basis of proportion, time?

Mr Griew: Institutions will either be with their state regulator if they have an entirely domestic business within their state, or they will be in the jurisdiction of the national regulator. If they are in the jurisdiction of the national regulator it will be for their business and they will pay the national fee.

Senator Chris Evans: I might just make the point, Victoria and Western Australian have chosen not to refer at the state, but I want to declare my own view is that I continue to encourage them to refer. I have a really good professional working relationship with Mr Collier in Western Australia, we cooperate well and the department cooperates well with its counterparts in Western Australia. But this is a decision between governments of that participation. I understand that. But, if you think through where we are going to be, we are going to have all of those providers eventually covered by the national VET regulator except for those in Western Australia who do not have international students and do not operate outside the state. But they will be regulated by both a federal and a state provider. And I think everyone would accept that that is less than an ideal situation. The states would say, 'That's our responsibility'. You know the argument.

Senator BACK: Yes, I do.

Senator Chris Evans: And I accept that is their position. But I think you end up with the position where there is the states paying the cost of maintaining a regulator.

Senator BACK: The task also being done by the state.

Senator Chris Evans: Yes. What I am saying is that I want to keep the door open. We have had cooperation in terms of the reality now, the national VET regulator legislation, so there is no complaint from us about cooperation despite the difference in view about the way forward. I would like to keep the door open so that we can actually get to a position where those states could feel comfortable about referring.

Senator BACK: And to what extent, if at all, has delegation of these regulatory powers back to those Victorian and Western Australian regulators been considered and rejected or is that part of the process you intend to go back to?

Mr Griew: Technically, of course, delegation is a decision of the holder of the power in question and so that is a decision that would have to be made by the statutory office holder

under the legislation. That said, the government's view and the view we have put firmly in negotiations is that that would seem both to defeat the policy rationale of the legislation and also to be administratively so cumbersome as to actually weaken regulation, not to strengthen it. There is a fundamental driving point here, which is to create a national unitary regulatory system. I cannot imagine anybody taking on a statutory role of this significance and then trying to transfer authority to someone else even though they would remain the responsible statutory officer. I just cannot imagine why you would want to do that. It has come up, but in the discussions I have been in I have to admit my response has been to say I just cannot imagine anybody would want to do that if they want this job. And they certainly would not get any encouragement from the department or the government.

Senator BACK: So practically is it the intention once the authority is set up that those administering it in, say, Queensland, Northern Territory will reside in Melbourne, Sydney, Canberra and travel to these places? Is that how it is intending to be undertaken?

Mr Griew: There will be staff of the new regulator in every jurisdiction who will work for the national body. Where the headquarters and the actual statutory commissioners will reside is yet to be determined. There is a process going on to find those people.

Senator BACK: I do want to ask you a couple of questions about the authority—

Senator Chris Evans: If WA want to join the scheme, I am happy to make an executive decision on the new VET regulators of Western Australia, Senator! I am happy to do a deal on that. I probably cannot do that under equal opportunity!

Senator BACK: The VET component of it gives me a stand-up start, certainly. Have the enterprise RTOs been affected at all through this whole process—in other words, their status remains as it always has under the proposed new structure?

Ms McEwen: Yes.

Senator BACK: In terms of 1 July—it starts one month from today—can you tell me how many fully-engaged staff does the skills quality authority have currently in place?

Mr Griew: Before the officers give you that answer, let me explain that, under the legislation, the authority commences on 1 July. There are a couple of states that are referring states that commence on 1 July. There is provision within the act—

Senator BACK: Those are South Australia and New South Wales?

Mr Griew: And Northern Territory.

Senator BACK: Two states and a territory.

Mr Griew: That is right, isn't it—South Australia, New South Wales and the Northern Territory?

Ms McEwen: Not South Australia. New South Wales, the ACT, the Northern Territory and the components of Victoria and Western Australia who will fall under the act.

Mr Griew: So for the other states, there is provision within the legislation for the minister to issue a certificate on the basis of receipt of a letter from their minister, confirming that they are referring states, to make arrangements for a date to be set. We do not need the full complement of staff in each state on 1 July. It depends which of three categories those jurisdictions fit in.

Senator BACK: In consideration of that letter being received by the minister, would that then trigger the process of calling applications for staff in each of these—

Mr Griew: That work is underway, in any case, but it can afford to move at a slightly different pace.

Senator Chris Evans: The letter is the formal notification that we have an understanding from earlier correspondence—

Mr Griew: Yes.

Senator Chris Evans: It is more about who is referring. I do not think we have finalised the dates for those other states.

Mr Griew: That is right. That is in negotiation.

Senator Chris Evans: When Queensland formally hands over will be the negotiated date, but the officers can help you with the staffing issues.

Ms McEwen: The taskforce has been having negotiation with all the referring states and the territories, including the states which have not yet referred. In fact, we have already had the transfer of some staff from Queensland to the regulator. A number of staff has transferred already from New South Wales, or are in the process of transferring and commencing training. Similarly, there are staff from the ACT. For the other positions that are available, some external recruitment has been undertaken and the applications for positions in Melbourne, Perth and Darwin have closed. They should be shortlisted and interviewed within the next couple of weeks.

Senator BACK: So those who are in equivalent positions in a state or territory at the moment have to apply for these positions under the new regulator?

Ms McEwen: A process has deferred in the different states. In every state, including both the referring and non-referring states, the authority who currently employs staff has been given the option of having an internal expression of interest undertaken, and that did occur in Western Australia, the Northern Territory and the ACT. Western Australia and Victoria declined that offer, so the advertising has been done through the open market.

Senator BACK: I wonder, on notice, if you could just advise us what you expect to be the full complement—that might be the best answer—once established in each of the states and territories.

Ms McEwen: Once fully established in all the states and territories, it is expected to be about 180.

Senator BACK: Yes, but if you could give us a breakdown and, again, not now but on notice.

Ms McEwen: Yes.

Senator BACK: Can you also tell me the skills sets that are to be required? Are they equivalent to those currently undertaken by the people in the states or territories, or is it a new set of skills? Are they additional to the existing skills of staff who would succeed in getting a job under the new regulator?

Ms McEwen: I believe that there is a combination of both, but I will take that on notice.

Senator BACK: Again, you may care to take this on notice for me: I am interested in knowing the measures by which the authority will assess the financial viability of providers.

Ms McEwen: I do have that detail with me.

Mr Griew: While Ms McEwen finds the answer to that, I just make one point about the skill sets, which is that the authority will—

Senator BACK: These are skill sets for individuals now.

Mr Griew: Yes, the skills of the people doing the regulation. We would have a clear view that that would be at a minimum equivalent. In fact, in at least one jurisdiction I am aware of, there is a significant use of contract labour in the current regulator. We would be anticipating, with the adoption of a uniform philosophy and methodology of regulation consistent with modern regulation principles, that one of the jobs the commissioners will be taking on is building up and developing the skills set of the staff that they inherit. In some states I am sure they will get staff who are absolutely excellent at the work they do—I am sure of that—but getting to a baseline of uniformity and building the kind of corporate culture and organisational approach of a national organisation is obviously one of the key tasks in the establishment period of the new commissioners.

Senator BACK: So in that break-up you are giving me on a state and territory basis, if you will be kind enough, if they are going to be different, if there are going to be some employed under contracts as opposed to fully engaged staff, could you also indicate that so that we have a better understanding.

Mr Griew: It probably will be premature to know that until the commissioners are taken up and so on, but I think it is a good point you make. I must admit, for a job like this, we would not be anticipating a significant reliance on contract.

Senator BACK: I will be interesting to know that and to follow it along as it goes. So, that is, the measures by which the authority will assess the financial viability of providers.

Ms McEwen: Yes. Under the act there is a requirement that a financial viability risk assessment legislative instrument is made. That legislative instrument will be signed off by the ministerial council. I do have the draft of it. What I can tell you is that the approach that the regulator is intending to take is that it will appoint an independent financial auditor for each RTO, and that will be an appointment made by the regulator, not by the RTO itself.

Senator BACK: Yes, of course. We would not want the keys of the lettuce patch being given to the—

Ms McEwen: That is right. And then the regulator will do an assessment against, essentially, fairly standard common indicators of financial viability, such as liquidity, solvency, economic dependency, revenue, profit and cash flow, commercial risk, audit opinion, contingencies, compliance with statutory obligations, compliance with accounting standards and accounting policies.

Senator BACK: How will those auditors be selected—based on a tender process or expression of interest process?

Ms McEwen: I am not certain what the regulators' intent is. However, under the legislative instrument they are required to be either Auditor-Generals in a state or territory, or members of the Institute of Chartered Accountants, or a person approved by the minister as a

qualified auditor for the Higher Education Support Act. So these are people who are already undertaking financial viability risks assessments.

Senator BACK: The Auditor-General in each state and territory would undertake the audit in consideration of government owned providers—

Ms McEwen: That is likely.

Senator BACK: but not private sector providers.

Ms McEwen: I do not know, but I would imagine that would be the situation.

Mr Griew: You would think so.

Senator BACK: And it is possible that the Auditor-General in each state or territory may, in fact, delegate that role to a private sector properly qualified auditor.

Ms Paul: I do not know whether we know that yet.

Mr Griew: The key point here that arises from the discussions that have occurred with one jurisdiction is to assure you, as we have assured them, that the standards involve a high degree of—

Senator BACK: Probity.

Mr Griew: Probity. Just as currently state governments who also play a role in funding need this information, so do we, not just in setting up a regulator but also in our funding of, for example, student loans—

Senator BACK: There is the concern that has been expressed to me about it being some self-assessment process. Clearly, from the way you have described it, is not the case.

Mr Griew: That is just wrong.

Senator Chris Evans: One of the rationales supporting the VET regulator—by no means the major one—if you look at some of the reporting on state regulators in Auditor-General reports et cetera, they have not been all that pretty and all that complimentary. This is very much about lifting standards. I am not painting everyone with the same brush, but it does vary, and we hope to end up with a much higher standard than have it all sink to lower standards or move to the sort of thing you were talking about.

Senator BACK: I move, then, to the hopefully unlikely event of provider failure. Can you tell me what the authority has in place, or drafted, to handle provider failure?

Ms McEwen: There are some measures under the act. If there are failing providers, the regulator will be able to let state governments know so that they are aware of it.

Senator BACK: On the basis that the state governments are part-funders.

Ms McEwen: That is right. I am not quite sure what you are looking for in terms of what they are intending to do.

Senator BACK: I am concerned, particularly, for example, about the wellbeing of students in a situation in which either a provider is heading down the path towards failure or, indeed, does fail. I am just trying to seek some assurances as to what actions would be put into place to minimise any disruption in the quality or timeliness of the courses offered. That would be one example.

Senator Chris Evans: Before Ms McEwen replies, Senator, I would note the evidence given earlier that 80 per cent of the students are enrolled at TAFEs.

Senator BACK: Eighty per cent?

Ms McEwen: Yes.

Senator BACK: So that would rate as a high degree of confidence.

Senator Chris Evans: It is true, though. The other thing I note is that some of the states have been giving their TAFEs more independence and a capacity to more entrepreneurial, and with that comes greater flexibility but also, perhaps, greater risk. I am not suggesting there is any problem there, but the reality is that 80 per cent of the students we are talking about are enrolled at TAFEs. As I said, the responsibility stays the same, but I think it is a useful reminder of the—

Senator BACK: As the owner of the asset, the state or territory then must come in. Regarding the other 20 per cent, for example, will there be any requirement for a non-government based provider to place some sort of a bond into escrows to—

Ms McEwen: There are some requirements under the AQTF which are being translated into standards under the act—the Australian Quality Training Framework, which is the set of standards that have been used nationally and which are being translated into legislative instruments under the act. There are new requirements which are being implemented which do require that RTOs can provide for continuity for their students on a number of bases, particularly with respect to protection for fees paid in advance. They are around, being the member of a tuition assurance scheme, which allows placement of students. That is the practice under the ESOS Act as well for international students. There is also the ability to have bank guarantees or to only take a certain amount of the fees in advance. So there are a few protections under the standards that are already in place, in addition to standard consumer protection requirements in every state and territory.

Senator BACK: I think it is 21 June that we await the government's response to the Senate report, which is a week before the new authority comes into existence, I think. Are we on schedule to receive that response by that time, do you know?

Senator Chris Evans: I would prefer the department answer that, Senator.

Mr Griew: We will be furnishing our minister with advice of a response to that in the very new future.

Ms Paul: We are doing our best.

Senator Chris Evans: So provided I do not have to consult with too many of my colleagues before doing that, Senator, that should mean we would be pretty close.

Ms Paul: It should be on track.

Senator BACK: I would be hoping you would give due consideration, of course, to the excellent recommendations contained in the—

Ms Paul: We always take the reports very seriously, Senator, as you can imagine.

Mr Griew: We seriously do. To be fair to the staff, that is a fairly busy time so it is our responsibility. We will get the minister something as soon as we can.

Senator BACK: They are the only questions I have, Chairman, thank you.

CHAIR: More questions on the regulator?

Senator NASH: I think we can move to 3.1.

CHAIR: We will have a break. We will recommence with program 3.1.

Proceedings suspended from 3:15 to 3:33

CHAIR: We will resume these estimates hearings and go to Senator Nash.

Senator NASH: Thank you very much, Chair. Can I just take you to the Grattan Institute report that was released on 24 May. It is the *Investing in regions: making a difference* report. The central argument of the report is that regional universities do not have an impact on the local area and are not worth the money spent on them. The department, in its *Review of regional loading: final report*, states, 'regional universities make significant contributions to regional economies, directly and through meeting regional skills needs.' That is a significant disparity, I would have thought, in the impact and contribution of regional universities. Do you stand by your view or do you have a comment in response to the Grattan report?

Ms Paul: We stand by the view, you will be comforted to know.

Senator NASH: Good news. Excellent, excellent news.

Ms Paul: We actually have some issues with the Grattan Institute's report methodology as well. So, in short, we stand by the views. My colleagues may be able to go into some of the detail if you wish to on methodology, but otherwise we stand by the view. Do you want us to go further or leave it at that?

Senator NASH: No, that explains it pretty well. I just wanted to have on the record that your view was that they do make a significant contribution to regional economies. Most people that I know in regional areas would certainly agree with the department on that. Will you at any stage have a public response, if you like, to the Grattan report?

Ms Paul: Look, I think that is a matter for government and perhaps the time has passed, but it is on the record here now. In the first instance normally we would actually pick it up with the institute itself, so I am not sure that we have a public desire.

Senator NASH: Has there been any communication with the institute on your response to their findings?

Ms Paul: I do not know.

Mr Hazlehurst: We have had some conversations with the institute. They provided us with extracts in advance, marginally just before they put out their report. But our conversations were more along the lines of understanding what they were going to say rather than at that point any conversations about our views about their methodology.

Senator NASH: All right. If you would not mind providing to the committee—and I am very happy for you to do this on notice—just what those concerns were about the methodology that the Grattan Institute used in coming up with the findings, that would be very helpful. On the regional loading report that the department did, what date was that finally released?

Ms Paul: There was a panel that looked into—

Senator NASH: There was a what, sorry?

Ms Paul: There was a group of experts that looked into regional loading. It was not a report by us as such, and I will turn to my colleagues in terms of dates and so on.

Senator NASH: So that is the *Review of regional loading: final report*.

Mr Hazlehurst: The report was released either actually on budget night or the day after on the web. The report was undertaken with the assistance of a reference group drawn from the sector. The views of the reference group were reflected in the report. Does that answer your question?

Senator NASH: It does. I understand it was not released till budget, but when did that report actually go to the government?

Mr Hazlehurst: The report was complete in December.

Senator NASH: Minister, any indication for the committee why it was five months before that had been released?

Ms Paul: I can do it quickly. It had to be considered in the budget context.

Senator NASH: Okay.

Ms Paul: It was as simple as that.

Senator Chris Evans: That was good, because I had missed the subject matter. I am sorry. I was clearing a letter to—

Senator NASH: Fortunately the department is ably answering questions for you.

Senator Chris Evans: They generally prefer if I do not talk, so I will keep quiet.

Senator NASH: You are doing a fine job. Perhaps you could just grab a cup of tea. I think it says on page 30 of the report that areas with an ASGC rating of inner regional are to receive a five per cent loading. The report, I understand, justifies it with a reference to a disparity of costs. Can you give us an indication of what kind of costs you are talking about there?

Mr Hazlehurst: The kinds of costs there are many and varied. They relate to things such as building costs, the costs of having staff dispersed across multiple campuses and the travel costs associated with that. They can also relate to the capacity of the campus to generate revenues, so it can be costs and revenues that are relevant here. I will ask my colleague Mr Taylor whether he can expand on that in terms of the kinds of costs.

Dr Taylor: Thin markets and diseconomies of scale are also the costs, and as David mentioned, the travel costs in regional universities as well, particularly between campuses.

Senator NASH: Would you mind taking on notice for me a breakdown of the regional university campuses by the ASCG groupings and what the percentage loading means in dollar terms to each of the campuses. That would be very useful if you could do that.

Ms Paul: Sure.

Senator NASH: On another issue before I pass to Senator Mason—and I suppose this is more a question for you, Minister—in terms of universities expanding into regional areas by establishing campuses there, is that something that you are supportive of?

Senator Chris Evans: It is actually a question I want to have some more thought about. I have spoken to a few departments officials about it and had a couple of conversations with a couple of vice-chancellors. I think there is a balance, isn't there, between students' capacity to travel to a city university and the choices they make, and the need for options in rural regional

areas for those who cannot travel, do not want to travel, choose not to travel to a university. I think there are questions about quality and making sure your campus is of a size to have the teaching staff able to provide quality education. There is obviously the economic impact of regional universities. I have never met a mayor who does not want a regional university in their town because there are clearly really good economic benefits from that in terms of teaching population and economic activity and just general growth.

I think it is a question of working out what the balance is because I also know, for instance, a number of regional campuses are struggling financially and are a drain on some universities and that others have made ventures that have not worked. There is clearly a role for regional universities and regional campuses but the balance is something I am not—you maybe never get to a definitive view on it, but we will come to this later. By opening up places and by providing more youth allowance support, will students take different options? What choices will students take? So I think you have got to throw all that into a mix, which then drives your decision making about how many regional campuses you have, what a minimum size might be, and now we have got this added development of relationships with TAFEs and articulations through TAFEs. Now, how does all that work out as to what an appropriate model is? Probably the answer is there is no one-size-fits-all response.

I think these are quite difficult questions and I have not thought them through enough, and that is something I am trying to talk to people about. I am under pressure from people who want me to support regional campuses in all sorts of places or want capital funding to support the growth and expansion of those campuses. We have got the regional EIF round coming up and that will provide substantial support for regional campuses or regional universities. But as to where the balance is and what the right mix of that is, I think that is a really interesting question. I know I have had a number of providers come to me and say, 'We really would like to close this campus because it is not working. It is just a financial drain on us but clearly it would be deeply unpopular in the community to close it.' I have others coming to me saying, 'If you gave us \$30 million we could build a really good campus in this regional centre,' and I ask them, 'Look, is it going to be viable?'

So there are those sorts of questions, and I think also it will be interesting to see as we reward attraction of people from lower socioeconomic groups what impact that will have on student choice, given the behaviour the universities will be changing to attract them. Given expansion of youth allowance, what impact will that have on choices students are taking? As I said, one of the developments that is already occurring is a number of the vice-chancellors at city universities are saying to me they are entering into—I am not sure if 'arrangements' is the right word—and seeing developing relationships where students might do their first year at a regional university or campus and do their second or third year at a university in the city that may not have a formal relationship with that campus. They might do it at James Cook but they might go to Sydney University for their second or third year. And they are clearly thinking like that as well. So I think there is a lot going on in that space and a lot of issues being raised for government about how you respond to that, and I suppose this is a long way of saying I do not know what the answer is, but there is a lot happening which impacts on those sorts of decisions. I think Senator Mason and I traversed a bit of that this morning when we were talking about TAFEs and about what educational facilities you provide in regional

centres and how that fits into the broader system. So it is a good question but I do not have an answer, and I suspect the answer is there is no one-size-fits-all answer.

Senator NASH: I suppose you cannot really expect the same economy of scale at a regional campus that you can at a metropolitan campus. So that expectation should sit to one side.

Senator Chris Evans: Yes.

Senator NASH: But somewhere in there needs to be the balance.

Senator Chris Evans: We would not think of not having a university in Darwin, would we? Even if the economics of it are poor, you would just say that, as a part of the development of the Northern Territory and the educational opportunity of the Northern Territory, you have got to have a university in the Northern Territory. So I think that is a fairly easy one to answer. Then you get down to—

Senator NASH: Cooma.

Senator Chris Evans: Cooma. You get down to Notre Dame and they run a campus in Broome. I understand that is not going as well as they might have hoped. It is a quite small size, does a good job in a couple of areas, caters well for probably more mature aged students and some of the Indigenous students in Broome, but is it viable longer term? I do not know. That is obviously a decision for them. It is the same though with others. Senator Back and I agree that Curtin needs to maintain its presence in the Kalgoorlie School of Mines, and they have had to change the way they provide services there to keep that viable. I think a number of the reforms that have been made in education and the articulation with TAFE will raise questions about that provision, but I am not sure. Have we ever really had to sort defined policy that—

Ms Paul: No, for the same reason that the drivers for setting up campuses are many and varied basically. I think the Bradley reforms really go to the Commonwealth taking its hands off some levers rather than getting more and more input controlling who can have campuses where. As the minister says, it is a fairly organic thing between a university, its aspirations, where its feeder group is and so on. The thing we were talking about this morning with Senator Mason was the increase in, particularly because of the significant increase in equity funding arising from the government's reforms of 2009, universities attracting students from lower socioeconomic groups. We are seeing more regional and other partnerships between universities and TAFEs, for example, and that is a good thing. So the more of that sort of thing we see too the better the regions will be served because there will be clearer pathways for students from TAFE to uni or indeed from uni to TAFE and so on.

Senator NASH: I suppose though that it is not really a fallback position though. As I said earlier, this issue of being able to pathway through TAFE to university is a good one, but it should not be an alternative to a straight university degree.

Ms Paul: No. That is right.

Senator Chris Evans: One of the questions I always want to ask—I do not want to interrupt you, Senator—is: where does the student actually want to go? Again there is a range of answers. If you are a mature aged woman with care of children and you want to do a nursing degree, I suspect you want to do it locally or you want to do it in some sort of an

internet-type arrangement or distance learning. If you are a 19-year-old, you would probably rather go to the big smoke and do it there. I do not know.

Senator NASH: That is surprisingly not always the case.

Senator Chris Evans: No, but you know what I mean.

Senator NASH: As a 19 year old who went to Bathurst by choice, I can say that is not always the case.

Senator Chris Evans: No, that is right. Often they seem to want to go to another regional centre.

Senator NASH: Yes, that is right.

Senator Chris Evans: All I am saying is there are a range of choices people want to make and sometimes those choices are constrained. If you are a mature aged person with family responsibilities and employment and roots in the community, you want to stay in that community. I always make the point that I tried to talk my son into going somewhere other than the University of Western Australia because I thought it would be a good experience for him to go somewhere else and open his eyes to the world a bit more. But he would rather go around the corner to UWA because it is more comfortable. I wanted to challenge him a bit more than that.

Senator MASON: It is a beautiful campus, Minister.

Senator Chris Evans: Yes.

Senator NASH: If only our children did everything we wanted.

Senator Chris Evans: And a very good tavern.

Senator NASH: On the Structural Adjustment Fund, are proposals to build new infrastructure being considered under that?

Ms Paul: Yes. Infrastructure is considered under structural adjustment.

Senator NASH: Okay. So just going back to this issue of regionally based campuses, would that fall under the criteria for the Structural Adjustment Fund?

Mr Hazlehurst: Ms Paul mentioned the Higher Education Participation and Partnerships Program; she did not use that name but it is the loading for low-SES students, which very substantially increased over the past couple of years. If you then add to that the doubling in regional loading, the Structural Adjustment Fund and the regional EIF round that will be starting, you can see there is a range of policy and program leaders that are being pulled to provide the environment in which the actors, if you like, can act. It is not intended to say it must be a particular type of institution in a particular location, but rather it sets up the conditions such that, if you like, demand can meet supply.

There was the discussion about the pathways between TAFE and higher ed. One really important factor too is that a lot of the time the populations in these regions may have quite low aspirations to attend university. Indeed what often is emerging are pathway arrangements where the universities and the VET providers in the area work together to actually create opportunities for people to start in a VET qualification but then transition into a higher ed one if they want to. The higher ed providers and universities are looking very much at working with the schools in the areas to encourage people to think about going to university as being a

real option for them, whereas perhaps in the past—in part because there has not been university presence in the area—school students were not even thinking that that was a real option for them.

The last thing I will just mention, building on what the Minister said, is that another interesting trend—and there is a lot of innovation going on in this space now—is for people who have done a VET qualification perhaps at TAFE in a regional location perhaps some years ago, potentially then being able to do another year of study, or two years depending on what the level of the qualification is that they have already got, and have that then accredited as a full degree by a university through the kind of arrangements that the universities are having where they might teach, for example, the university third year in the TAFE premises itself in order to give that person the benefit of a higher education.

Senator NASH: Okay. So was that a yes or a no?

Ms Paul: To the Structural Adjustment Fund, yes.

Senator NASH: Under the Structural Adjustment Fund, are proposals to build new infrastructure being considered?

Mr Hazlehurst: My apologies, Senator. It was very much a yes.

Senator NASH: It was a very interesting and fulsome answer. So that would include expansion by building regional based campuses? That would fit as infrastructure?

Mr Hazlehurst: Yes. There is a particular focus with the Structural Adjustment Fund too on partnerships between universities and TAFE, for example.

Senator NASH: Okay. Thank you.

CHAIR: Senator Mason, would you like to ask some questions?

Senator MASON: Thank you. You only ever need to ask me once, Mr Chairman. You know that. I have a few questions that I suspect the department will more usefully answer on notice and then I will go to some more detailed questions. What underspends have there been in programs within outcome 3 in the current financial year, and what are the reasons for the budget expenses not being met in each instance? The complimentary question is: what overspends have there been in programs within outcome 3 in the current financial year, and what are the reasons for the budget expenses being exceeded in each instance?

Mr Griew: We will take that on notice.

Senator MASON: That is fine. With respect to postgraduates, if I can ask another question—and I suspect again the department will probably want to take it on notice—can you please provide a breakdown of postgraduate students by discipline, institution, numbers and percentage of domestic students and overseas fee-paying students, and by type of qualification being undertaken?

Ms Paul: Yes. We will take that on notice too.

Senator MASON: All right. Can I also ask, Ms Paul, what data is available on completion rates for postgraduate students and also trends over time, if that is all right.

Ms Paul: Sure.

Senator MASON: And also student-staff ratios, and you will understand why I am asking this.

Ms Paul: Yes.

Senator MASON: Quality issues are clearly a big thing facing the university sector at the moment.

Ms Paul: Yes.

Senator MASON: What is the latest data available on student-staff ratios for undergraduates at Australian universities, both overall and at each institution? Now, it is a difficult question because you have to break it down by what faculty and then by department, I suppose.

Ms Paul: Yes.

Senator MASON: But that would probably take you forever.

Ms Paul: That might. We will do our best.

Senator Chris Evans: Senator, I could give you an answer that says we could not justify the resources—

Senator MASON: Can you see what you can come up with, Ms Paul?

Ms Paul: Yes, we will see what we can do.

Senator Chris Evans: We will find what is useful and reasonably—

Senator MASON: Is that all right, without overdoing it?

Ms Paul: Yes. I understand the question.

Senator MASON: I appreciate that. I will come back to some other issues depending upon time. Can I go to the budget and the portfolio budget statements, my favourite item. Can we go Budget Paper No.1. The total expenses associated with higher education subfunction are set out on page 18 of Budget Paper No.1. That is right, isn't it?

Ms Paul: I have not got it in front of me actually so I will—

Senator MASON: Well, take my word for it.

Ms Paul: We will get it. What page are you on?

Senator MASON: Statement 6, page 18.

Ms Paul: Yes.

Senator MASON: So there is an estimated \$8.5 billion in 2011-12 growing to a projected \$9.6 billion in 2014-15. That is right, isn't it?

Ms Paul: Yes. We have got it in front of us now. Thank you.

Senator MASON: Yes. The government claims in the PBS at page 87 that in 2011-12—let me quote:

The government is providing a further \$1.2 billion in 2011/12, bringing the total funding for this initiative— that is, the demand-driven funding system— from 2010 to the end of 2015 to \$3.97 billion.'

Is that right?

Mr Hazlehurst: What it says is correct, yes.

Senator MASON: Is that a five-year period rather than the usual four? Is that different than normal?

Mr Hazlehurst: I can explain that. The reference to the \$1.2 billion and the \$3.97 billion is a reference to the specific costs associated with introducing the demand-driven system. Those costs commenced in 2010 with allowing the universities to over-enrol up to 110 per cent. As you know, they have been able to do that in 2011 as well.

Senator MASON: So they will pick up the money next year, Mr Hazlehurst; is that right?

Mr Hazlehurst: They will. They will under the caps system. And so what we have done there is include the full cost across the full years, including the forward estimates but also including 2010.

Senator MASON: I see. How much was spent implementing the system in 2010?

Mr Hazlehurst: I will have to defer to my colleague.

Mr Griew: Do you mean how much was spent or how much was committed across the then four years?

Senator MASON: Sorry?

Ms Paul: No, I think he means 2010.

Mr Griew: Do you mean just within 2010?

Senator MASON: Yes, just within 2010.

Mr Griew: So how much was spent then, not committed.

Senator MASON: Spent.

Mr Warburton: So within the \$3.97 billion is \$387 million in respect of 2010.

Senator MASON: Let me just write this down. Of the \$3.97 billion—

Mr Warburton: \$387 million is in 2010.

Senator MASON: In 2010. What I am after is the net impact of all of the measures in this year's budget for higher education functions. So, clearly, that is the spending measures outlined, minus of course the saving measures. So let me just go through those. The abolition of the capital development pool; how much is that saving?

Mr Hazlehurst: That is \$299 million.

Senator MASON: \$299 million, over?

Mr Hazlehurst: Over four years.

Senator MASON: Is that up to 2014-15?

Mr Hazlehurst: Yes.

Senator MASON: Reducing the discounts available for upfront payments of HELP, HECS.

Mr Hazlehurst: So that is a saving of \$479.5 million over four years.

Senator MASON: Again, up to 2014-15. Fear not, Mr Hazlehurst, because Ms Paul knows that, when it comes to the crunch, we will do the sums. The two-year delay in delivering the higher education performance fund; how much is that saving?

Mr Hazlehurst: That is \$95 million.

Senator MASON: All right. Redirecting funding from the open learning program.

Mr Hazlehurst: That is not actually a saving.

Senator MASON: It is not?

Mr Hazlehurst: No, it is just a redirection.

Senator MASON: So there is no saving there. My next point was savings from closing the ALTC. I think, just going on this morning, it was not a lot.

Mr Hazlehurst: Enormous.

Senator MASON: What is that? Yes.

Mr Hazlehurst: Enormous.

Senator MASON: Enormous savings from closing the ALTC. What do you estimate the savings from the closing of the ALTC to be, Mr Hazlehurst?

Mr Griew: That was not in this budget.

Ms Paul: That was in MYEFO; that is not a budget measure. Remember I said this morning, it was a—

Senator MASON: But how much—tell me, Ms Paul, just to make me happy.

Ms Paul: Sure.

Mr Hazlehurst: \$37.6 million.

Senator MASON: So what is the net figure in terms of the government's additional investment in higher ed contained in this year's budget? What is it?

Ms Paul: You have to look at the \$500 million for the regional Education Investment Fund, and more than \$100 million for the regional—

Senator MASON: Yes, but hold on. Where is that money coming from, Ms Paul? What is the origin of that money?

Ms Paul: You are asking for the ons and offs. I am giving you an on.

Senator MASON: But isn't that from the EIF?

Ms Paul: We are just giving you the offs.

Senator MASON: Yes, but hold on. Isn't that the Education Investment Fund?

Ms Paul: In terms of where it comes from, yes. My colleagues can take you through that.

Senator MASON: I think we have had this debate a hundred times—that is money put in by the Howard government. How much has the government put into the EIF, Ms Paul?

Mr Griew: That was offset. So that is part of this budget. There is \$500 million that was not there before.

Senator MASON: Sorry?

Ms Paul: That is right. It is in the budget. It is \$500 million from the budget.

Senator MASON: Yes.

Ms Paul: Then there is the \$1.2 billion for the indexation and demand drawn from the growth.

Senator MASON: I am going to get to that.

Ms Paul: Then there is—well, you can do the rest of those.

Mr Hazlehurst: Sure. There is the \$500 million for EIF—

Senator MASON: Where does the \$500 million come from? What is the origin of it?

Mr Hazlehurst: It is drawn from the EIF.

Senator MASON: That is right. From the Education Investment Fund. Thank you.

Mr Hazlehurst: Yes. There is the regional loading increase, which is about \$109 million.

Senator MASON: Hold on.

Mr Hazlehurst: There is additional funding—

Senator MASON: Hold on. I am not very good with numbers, as you know. So we have got the \$500 million—that is from the EIF, isn't it? That is agreed, isn't it? Yes?

Mr Hazlehurst: Sorry, Senator. I missed that question.

Senator MASON: The \$500 million is from the Education Investment Fund?

Mr Hazlehurst: Yes. But under the budget rules that apply at the moment, the expenditure out of EIF has to be fully offset.

Senator MASON: I understand that.

Mr Hazlehurst: So the funding is actually coming from the budget.

Senator MASON: I get what you are saying. I understand what you are saying, but I just want to make the point that the money came from the EIF.

Mr Hazlehurst: It will.

Ms Paul: The money came from the budget to go into the EIF to be spent on a regional round.

Senator MASON: No, I understand that, Ms Paul, but how much money has the government put into the EIF?

Ms Paul: I can't recall where we are.

Senator MASON: I can recall.

Ms Paul: This is an extra \$500 million coming through budget into the EIF.

Senator MASON: Mr Hazlehurst.

Mr Hazlehurst: Regional loading, \$109.9 million, and then the two components of additional funding, as a result of upward revisions in the estimates. So there is \$1.2 billion associated with the demand driven system.

Senator MASON: Yes.

Mr Hazlehurst: And there is an additional \$550 million in indexation that was not otherwise accounted for previously because of indexation being higher than it was anticipated.

Senator MASON: All right.

Mr Hazlehurst: But I should say, you cannot add the \$550 million on top of these other figures, because these other figures include indexation in them.

Senator MASON: Let me get to that. I appreciate that. In fact, what was the word you used this morning, Ms Paul, about something being opaque? I want to go to the opacity in relation to the PBS and related to indexation in a minute, so we will get—

Senator Chris Evans: Is that a word?

Senator MASON: That is a word, isn't it?

Mr Griew: The point Mr Hazlehurst is making is quite simple: that extra places cost a certain amount and indexation across all of the existing places costs a certain amount, and there is indexation also on the new places. So, of course, there is some overlap between those two places. It is not a particularly complicated—

Senator MASON: No, I am not suggesting that. My problem is in relation to how that is disaggregated in the PBS, the indexation component.

Mr Griew: Well, it is in that—

Senator MASON: No, we will get to that. I always give you an opportunity. I do not say I agree with it, but I give you an opportunity in the end, depending on time. We will just see how we go. So what do you think is the correct net figure, Mr Hazlehurst, in terms of the government's additional investment in higher ed? What do you say it is? What does the government say?

Mr Hazlehurst: I don't have that figure in front of me, Senator.

Ms Paul: No, we would have to take it on notice.

Mr Hazlehurst: We have not calculated it in the way you are looking for.

Ms Paul: We would have to take it on notice, particularly to account for that indexation. I think we have been through the main elements, but I am happy—

Senator MASON: No, I understand. I appreciate it. All right, so take it on notice?

Ms Paul: I am happy to take it on notice. Yes.

Senator MASON: All right.

Mr Warburton: Senator, there are a range of complexities in higher ed funding. We have the complexity associated with—we actually fund universities on a calendar year basis, and we are required to turn that into a financial year basis for the government's budgeting. When you are talking about higher ed, in some cases, people talk about the DIISR research money, as well as the teaching and learning money that DEEWR has.

Senator MASON: Mr Warburton, look—

Mr Warburton: I can give you some figures on teaching and learning moneys—

Senator MASON: No, I am happy for that to be taken as a question on notice, Mr Warburton. That is fine. But can you please provide—and again, Ms Paul, this may need to be taken on notice—a specific breakdown of the number of undergraduate and postgraduate—so both—that are included in each of the \$1.2 billion contained in the forward estimates going to the Commonwealth grant scheme.

Ms Paul: Sure.

Senator MASON: Is that all right?

Ms Paul: Yes. We will take that on notice.

Senator MASON: The projected.

Ms Paul: Yes. Clearly, that is the implication. There is a number, but let's get it on notice.

Senator MASON: Could we just have a look at the growth in undergraduate student numbers in Commonwealth supported places in public universities?

Ms Paul: Yes.

Senator MASON: Because this is an important issue, clearly, for the sector and indeed for the country. I want an EFTSL—that is, an effective full-time student load basis. Is that the right figure?

Ms Paul: Yes.

Senator MASON: Over the last decade. Again, you may have to take this on notice, Ms Paul, but in terms of EFTSL over the last decade, do you have raw numbers for the growth in undergraduate student numbers in Commonwealth supported places in public universities?

Ms Paul: I don't know whether we—

Senator MASON: If you have it here, that would be great, but I am not—

Mr Warburton: Well, Senator, you asked for a decade back, so you want us to go back to 2001?

Senator MASON: Yes.

Mr Warburton: I do not have that here. The notion of a Commonwealth supported place did not exist before 2005.

Senator MASON: Okay.

Mr Warburton: I can—

Senator MASON: Do what you can do for me, Mr Warburton, I just want to map what is happening, that is all.

Mr Warburton: Okay.

Ms Paul: We will just make sure it is apples and apples.

Senator MASON: The revised budget estimates for 2010-11, and the variance in the forward estimates for the past year for Commonwealth supported places and you mentioned before, Mr Hazlehurst, about universities overenrolling.

Mr Hazlehurst: Yes.

Senator MASON: How much have universities overenrolled during the transition period, 2010-11, compared to original forecasts?

Mr Hazlehurst: Mr Warburton can probably provide the—

Senator MASON: It is a very simple question, Mr Warburton, I know.

Senator Chris Evans: Nothing is simple in this area.

Senator MASON: I am not suggesting that—I am being ironic.

Mr Warburton: I do not have the original forecast here. I have got data on current overenrolment.

Senator MASON: Do you think you could supply that to the committee, Mr Warburton? It would be delightful if you could. I am trying to build a picture, because I cannot get this information very easily. It is very difficult—I cannot get it easily.

Mr Hazlehurst: I do have some information here that I can give you, and we are happy to follow it up in more detail.

Senator MASON: Yes, sure. Thank you.

Mr Hazlehurst: In 2009, universities were overenrolled 5.7 per cent over their target load.

Senator MASON: Sorry, Mr Hazlehurst—5.7?

Mr Hazlehurst: Yes. In 2010, they were 9.9 per cent overenrolled against their target load.

Senator MASON: Yes.

Mr Hazlehurst: And in 2011, they were—we project, because of course, the year is not yet finished, 13.9 per cent.

Senator MASON: Nearly 14. A gaming of the new system, Mr Hazlehurst. Is that fair?

Senator Chris Evans: Responding to incentives.

Ms Paul: I certainly would not call it gaming. Of course, the cap went from five per cent to 10 per cent in that time, so what you are seeing is—

Senator MASON: But that is true. You could overenrol that much.

Ms Paul: Yes. You could over-enrol the first time to 10 per cent, which is exactly what you see, and then they exceed that to the 13, and then of course next year it opens up. So you can see them positioning themselves for the opening up to achieve that target of 40 per cent almost by 2025.

Senator MASON: No, I am not surprised, Ms Paul. I just make a point that clearly, you are right, that the universities are responding to those incentives. I understand that.

Senator Chris Evans: And so they took quite divergent strategies. Some of the older universities have not gone out very actively recruiting extra students, and others have identified growth corridors like regional Victoria, and have gone out quite aggressively because they think there is a sort of unmet demand they would be able to tap into.

Senator MASON: Mr Hazlehurst, assuming a 40 per cent participation rate—this might not be you, Mr Hazlehurst; it might be Mr Warburton, as I think he might be our demographer—or target is reached in 2025, and let us assume that for a second, how many additional students will be studying in Australian universities as a result of that? Obviously, it takes into account demographic and population changes. What sort of projections have you done on that?

Mr Warburton: We have looked at the attainment target, but I do not have projections of the number of students in 2025 with me, Senator.

Ms Paul: We actually did it several years ago in the context of the Bradley review. She did it, actually.

Senator MASON: She did have a look at it, yes.

Ms Paul: She did. So if you want us to pull it out again, we can.

Senator MASON: Let me just clarify that, Ms Paul.

Ms Paul: To achieve the target.

Senator MASON: Let me clarify that. You are right, Professor Bradley did look at it, but did the department undertake any modelling and give that assessment in their submission to the Bradley review?

Ms Paul: I cannot recall, actually. I will have to go back and have a look.

Mr Hazlehurst: Senator, a number is in my head, which is that at the time it was estimated that there would be an additional 217,000 completions over and above what would have occurred anyway, over that full period to 2025, in addition to growth in completions that would have occurred just through population increase.

Senator MASON: So I just want to make this very clear. In 2025, assuming we get to 40 per cent, how many students will be on Australian university campuses?

Ms Paul: All up, yes. We are not sure we have got that with us.

Senator MASON: But it is a really important figure.

Ms Paul: We can get it for you. We may just not have—

Mr Hazlehurst: We do not have it here, but we can get it for you.

Senator MASON: What will I put in my press release now, Mr Hazlehurst? I need a good figure.

Mr Hazlehurst: You could probably just change the date on the one you used for the last two estimates.

Senator MASON: This is not necessarily a bad thing. This is not a negative thing. It could even be said it is an exciting thing. It is just that I suspect the figure will be quite high, but—

Mr Hazlehurst: It will be.

Ms Paul: Yes, sure.

Senator MASON: I am just interested, that is all.

Senator Chris Evans: And that is the whole idea, Senator. We want it to be high.

Senator MASON: I know. I am not objecting to it. It is more that—

Mr Hazlehurst: Senator, what I can say today is that between 2009 and 2015, we thought we would need about 2.5 per cent growth in the sector in order to—

Senator MASON: Reach the target?

Mr Hazlehurst: Reach the target, in terms of completions.

Senator Chris Evans: Is that per annum?

Ms Paul: Per annum.

Mr Hazlehurst: Per annum, yes. And our estimate now is—and based on the information that is now published in the portfolio budget statement—that we look like we are going to get about 2.8. So on that basis, you would say, consistent with the modelling that was done earlier, we are well on track—

Senator MASON: You are on track, yes.

Mr Hazlehurst: To achieving the 40 per cent target.

Senator MASON: All right.

Ms Paul: Nice work.

Senator Chris Evans: I think, Mr Hazlehurst, we would obviously qualify that, though, in the sense that we expected a sort of early pick-up as the caps come off, and that might not—whether we sustain that over the—

Ms Paul: Yes, we just do not know yet.

Senator Chris Evans: Over the out years, particularly—

Senator MASON: Yes, it gets a bit hard, I know. Can you take it on notice, Mr Hazlehurst, and get back to me with what you have on that—the number, even the raw figure?

Ms Paul: Yes.

Mr Hazlehurst: Sure.

Senator MASON: And, clearly, it is based on population growth, immigration and demographic factors. I appreciate that.

Mr Hazlehurst: Yes. No problem.

Senator MASON: What proportion of the total student population will this additional number of students comprise at that time? In other words, including international students attending Australian universities?

Ms Paul: Can you say that again, Senator?

Senator MASON: What proportion of the total student population will this additional number of students comprise at that time—that is, in 2025?

Ms Paul: So we would have to take that on notice too, because we haven't got the base figure. Yes.

Senator MASON: And then including international students attending—

Ms Paul: Yes, that is a bit tricky too, because then that requires assumptions which are quite hard to strike. But anyway, nonetheless, we will give it a go.

Senator MASON: I know these are all difficult issues, but they are important ones. Where will the students be coming from, and is it possible to provide a graph of the projected demographic impact on demand for undergraduate places, by state and territory, for the periods through to 2025? Is that possible?

Ms Paul: Wow! I think that—

Mr Hazlehurst: No.

Senator MASON: No? Is that too difficult? Maybe it is.

Ms Paul: I think that is too hard, because how would you make those assumptions? I think that is the problem.

Senator MASON: They would all be assumptions. All right. That is fair enough. In terms of the additional low-SES students, which is an important target for the government, what are the projections about where those students will be coming from? Do we have any projections there?

Ms Paul: In terms of demographics—geography?

Senator MASON: Yes.

Ms Paul: I do not know, actually. We will have a think about it. We might face the same problem, but we know that there is a good regional representation, for example. So perhaps we can do it at not at a really, really fine level, but at some level. I am not sure whether Mr Hazlehurst—

Senator MASON: That will keep Senator Nash very happy. She will be very happy to know about that.

Ms Paul: That is right.

Senator MASON: But, again, I know it is a bit difficult, but any help would be grateful received, Mr Hazlehurst.

Ms Paul: Yes. No pressure.

Mr Hazlehurst: Senator, I would be very happy to have a look at it. My immediate reaction would be to say it would be very speculative, to say the least, to try to estimate where the students are coming from, more than 10 years out.

Ms Paul: I mean realistically, gosh, we ought to have a look at what is happening now. But then how do you project that? How far can you project that?

Mr Hazlehurst: So what I can say, for example, is that we do know that the growth that has occurred in overall enrolments of around 10 per cent has been matched in terms of growth in regional campuses, students attending regional campuses.

Senator MASON: All right.

Mr Hazlehurst: So in the period from 2009 to 2011, there has been 10 per cent growth in students attending regional campuses.

Senator MASON: Fine. All right. And you mentioned before, the assumed rate of growth annually in student numbers, behind the 40 per cent target, you said was—

Mr Hazlehurst: 2.8.

Senator MASON: You did say that.

Mr Hazlehurst: For the period 2009 to 2015, is what we are projecting, which is actually well above what—

Senator MASON: Is required to meet the target.

Mr Hazlehurst: 2.5 is what we thought; 2.8 is what we have got.

Senator MASON: This is going to get a bit more difficult, but they are important questions—well, I think they are important questions. What will be the total cost of meeting the 40 per cent target across the forward estimates through to 2025? Do you have any idea? It is important just because—

Senator Chris Evans: No, it is, but—

Senator MASON: We are literally talking about tens of thousands of millions of dollars.

Senator Chris Evans: I know.

Senator MASON: Literally. It is not an exaggeration at all. I just want to know what modelling has been done, because it is such a huge expenditure of public money. I just want to know what modelling has been done to justify these.

Senator Chris Evans: Senator, it is a really important issue, and you have seen from the change in indexation arrangements what that has done to increasing the funding to universities over the forward estimates. But I think Treasury has caveats on its forecasts for the four years of the budgetary period. I think to suggest that we could do anything sensible to 2025 would be—

Senator MASON: Intergenerational report style? Mr Costello's report, Minister? That was useful, I think. I think it had useful aspects, anyway.

Senator Chris Evans: I am not sure how detailed the costing was, and—

Mr Hazlehurst: Senator, we do not have that information.

Ms Paul: No, we do not.

Mr Hazlehurst: We have not done that modelling.

Ms Paul: No. We haven't done that modelling.

Senator MASON: Have you asked Treasury to look at it?

Mr Hazlehurst: No, they would not be able to do it, either.

Ms Paul: No.

Mr Hazlehurst: They would need our estimates of what would happen in terms of student growth.

Ms Paul: And that is hard to determine.

Mr Hazlehurst: But we have done what government normally does, which is to provide the estimates of the costs associated with the policy change over the forward estimates. And, as that has changed, we have updated those estimates.

Senator MASON: I say this, and this is not a criticism, Minister, but I get the feeling that I am not quite sure the Australian public has yet grasped the—momentous might be a slight overstatement, but the difference this will make to the country. If we are moving from 30 per cent to 40 per cent, that is an increase of about a third in university students over the next—

Mr Hazlehurst: It is currently 34.2.

Senator MASON: Yes, I am going to get to that. But it has increased a lot in the last few years, Mr Hazlehurst. So really, we have had a big increase. And that will have all sorts of impacts on productivity and skills. I wonder whether modelling had been done on all of that to—how do I put this—more readily justify to the public, as well as to political parties, why we should spend this money. Do you see my point?

Ms Paul: So really your question, in a way, goes to the setting of the target in the first instance. And the setting of the target in the first instance arose from the Bradley report.

Senator MASON: Indeed.

Ms Paul: And it arose from that review team's analysis—and I cannot recall all of it; it is in the report, of course—their analysis of international experience in terms of the level of university qualifications and so on which contribute to the economy in the most productive way. So they actually did quite a sophisticated analysis of other countries and so on.

Senator MASON: Yes, they did.

Ms Paul: And really everything else you are saying is driven off that target plus natural growth, which would have occurred at any rate. So, of course, there is a difference between natural growth, which we were seeing and would expect to continue to see—that has been a long-term trend in increased proportion of the population with university qualifications—and then the marginal difference between expected growth and a 40 per cent target. And that is what it is. And so the reason you have got a target like that is, of course, to drive an economy into its most productive point.

Senator MASON: Ms Paul, I am not saying I disagree. It is more, even going back to when we were in opposition 3½ years ago, I do not think you would disagree with this. I remember asking people involved in higher education: 'Was there any unmet demand?' Very little. Let us be frank, very little. And I know that 40 per cent is a fairly common OECD benchmark, and I am not suggesting it is wrong. It is more that if you are moving to an uncapped system, and particularly if you keep caps on prices—you can see where I am going—are the taxation revenues from the extra salaries that people earn going to assist? Clearly, that will partly pay for the initiative. How does it affect the knowledge economy and all those other multifarious aspects. But I am just surprised it has not been looked at.

Ms Paul: Our modelling of course goes to the forward estimates. Some work has been done on the return to the economy from meeting these targets and the work done by external consultants on the potential impact on the economy from this target showed that there would be a considerable return. In fact, of course, the return to the economy would be way, way beyond any additional expenditure for that marginal increase in student numbers.

Senator MASON: Ms Paul, that is what I am talking about—wages increases, tax revenues, increases to Australia's GDP, increases to the export industry.

Ms Paul: That is right.

Senator MASON: The export earnings from tertiary education. Have all those things been looked at?

Ms Paul: We did have external consultants look at what the potential return to GDP would be—or to the economy, I forget how it went—for meeting this target. And I do not have it with me, but I am happy to take it on notice and spell it out. It was a considerable return investment.

Senator MASON: I am not even disputing the figures. You have done them. What period were they looking at?

Ms Paul: It looked up to 2040, to my recollection.

Senator MASON: 2040?

Ms Paul: Not in terms of modelling expenditure but in terms of return to GDP. So the economic impact of what individuals offer to the economy by having a university education, basically. There is a lot of research on that.

Senator MASON: Sure. They pay more tax, and there are all those other—there are social aspects. I accept all of that.

Ms Paul: It is a GDP perspective. So I am quite happy to come back with something on that.

Senator MASON: Yes. All right. And when you asked for the information, Ms Paul, in what context was that asked for?

Ms Paul: It was in the context of a broader piece of work which was about the economic impact of meeting several of the COAG and other related targets. This was just one of them. It was not contracted just to look at this particular target.

Senator MASON: So you looked at GDP. Does it look at wages and tax revenues and education exports and unemployment rates?

Ms Paul: No, it was not a higher ed only focus, and most of it was public, at least in a speech by the former Deputy Prime Minister in probably 2009 or 2010, but I can get the higher ed impact for you, anyway.

Mr Griew: It is GDP and employment outcomes measures.

Senator MASON: Yes. Clearly, that is important, but it is not the only aspect. And I am just a bit surprised that, on the one hand, more modelling, seriously modelling has not been done about—putting it bluntly, the cost to the taxpayer between now and 2025—and, on the other hand, what the benefits are to the GDP, to employment rates, and skills and so forth. I do not think the question is that difficult. I am just surprised it has not been looked at like that. That is what I would ask for.

Ms Paul: Sure.

Senator MASON: If I was going to spend literally tens of thousands of millions of dollars, I would want that analysis.

Ms Paul: We have done what we can do, and that is of course to model it up for the forward estimates, and we have said that.

Senator Chris Evans: Senator, I do not think we have got the bit of work that answers your particular question, but I think Ms Paul and other officers have taken you through their various bits of work. The other bit of work is the Skills Australia work, which was talked about this morning, which deals with models predicting the sorts of jobs being created in the Australian workforce and the level of education required. And, again, the general finding was that a diploma or higher qualifications will be required to meet the jobs generated from the economy predominantly so that the growth is in those higher skilled jobs. We can pull as much of that together as we can. When you asked for the cost over that much longer period, I think we would have to say—

Senator MASON: It becomes more difficult.

Senator Chris Evans: More difficult.

Senator MASON: Even going to Mr Hazlehurst's—two-hundred-and-how-many thousand students?

Mr Hazlehurst: 217,000 completions.

Senator MASON: Even just taking that figure, the 217,000, has the government looked at how many new universities or, indeed, campuses would be required to house and educate those students?

Ms Paul: I do not think we have looked at the infrastructure implications, because it is pretty hard to do so, particularly when you think about changes in technology which, of course, mean there is really quite significant growth in online and distance education. I think it is really quite hard to try to predict that. But I do not know; I will turn to Mr Hazlehurst if we have done anything like that.

Senator MASON: Have you looked at that, Mr Hazlehurst? These things worry me now, you see.

Mr Hazlehurst: Senator, I—

Senator MASON: I am sorry to interrupt, but 217,000 is four or five good-sized universities, isn't it.

Senator Chris Evans: It is. Mr Hazlehurst will help me with the answer, but in this budget there is \$500 million worth of capital funds for regional universities. Five hundred million dollars is a lot of money, which will buy us a lot of capacity. There is also the earlier rounds—

Senator MASON: Not enough.

Senator Chris Evans: of EIF, et cetera, and Ms Paul's point is the correct one. I was at the opening of the refurbished QUT library, at their campus—the one on the hill.

Senator MASON: Kelvin Grove.

Senator Chris Evans: Kelvin Grove; sorry. It was BURF funding, I think, which is an acronym I always remember.

Ms Paul: Better Universities Renewal Fund. I think that was another \$500 million.

Senator Chris Evans: That had paid for the renewal of their library, which was built at the commencement of the university campus there. It was interesting for a number of reasons, and there was the BURF funding and the university had done a great thing with it, and it was much more accessible for students and it is a great project. But the key message to me, of course, was that the way students used that facility was vastly different from the way they used the old university, in the sense that it is a library, not without books, but different—the modern university is so different from, I suspect, the university when you and I went to university.

Senator MASON: That is true. That is a fair point.

Senator Chris Evans: What they have done is to create lots of spaces for students to work on computers individually or in groups. The way they are learning and accessing information is just completely different. So if you go to design a library now, you do not build it anywhere in the same way, and the learning spaces are quite different. And a lot of that is about universities then having to adjust.

Senator MASON: I accept all that, and I accept the change in technology; I do. But, even using Mr Hazlehurst's figure of 217-odd thousand completions, that is four or five universities, and it would be, perhaps, potentially 15 campuses in the next, what—15 years?

Ms Paul: Fifteen years, and we have seen considerable growth in the last several.

Senator MASON: I am just trying this out, Ms Paul. Then on top of that, of course, are the new academics. I know the government clearly has budgeted and it is in the budget forward estimates, but my point is that I suspect that certainly new campuses are going to have to be built to accommodate it. I do not think there is any doubt about that. I do not think it is a point of argument. Have you considered that, Mr Hazlehurst? Has all this been budgeted for? When are we going to see it budgeted for?

Mr Hazlehurst: Senator, as you know, the universities themselves are autonomous institutions. In the period over the last few years that we have been talking about, we have seen very rapid growth in student enrolments. Those enrolments are being accommodated within the current university infrastructure and new infrastructure that the universities themselves are building. Some of that infrastructure is refitting existing infrastructure to

accommodate more students. Some of that infrastructure is funded through things like the specific funding rounds that have been talked about. Some of it is funded from base funding. In the compact discussions that we have had with universities over the past few months, it has become very clear that the universities themselves are making, and/or have made, really quite detailed plans about their approach to managing their capital assets over the next 10 to 15 years. By and large, they all have 10-year capital asset management plans which, of course, are aligned with their projections of their growth. These growth projections are also being built into the budget estimates that you can see.

The important thing to note about all of that is that the growth that is occurring now will have accumulative effect on the number of completions that we need. What do I mean by that? The 217,000 completions include completions that are actually occurring now. So what I am saying is that there is expansion that has already occurred in the sector that is quite considerable—

Senator MASON: I appreciate that.

Mr Hazlehurst: which will have a cumulative impact on achievement of the target. So to say that there is going to need to be many more campuses—I am not sure that that is actually true. It remains to be seen.

Senator MASON: It will be, Mr Hazlehurst. They are full. I go to university campuses and people all say to me, 'We can't fit any more students on them.' You would know that, Ms Paul.

Ms Paul: Yes, but Mr Hazlehurst has made a very interesting point about the compact visits; it is a very, very good point and it had been in my mind. The compact visits are very detailed, intensive conversations between us and the other department and the university. Mr Hazlehurst is saying that, from his experience with those this year, these universities have 10-year or 15-year capital investment plans, and so they are planning towards their own projection of growth in a systematic, forward-looking way. I think that is a really important point here.

Senator MASON: So long as governments are, as well, and taking account of that, Ms Paul. I am sure that the universities are, but so long as, whoever the government is—

Ms Paul: Of course—that is absolutely right. You are absolutely correct. That is important and that is the purpose of that compact visit, actually: for us to understand that and, indeed, if we think something sounds a bit off-track or whatever, for us to offer the best advice we can to them, too.

Senator Chris Evans: I would say a couple of things there, too. I think universities are getting more creative about their capital development plans and are realising that that will not all be solely funded from the Commonwealth. So they are looking at more innovative and alternative sources of income, be it bequests, be it borrowings, et cetera. As I go around universities—UTS is worth a visit if you have not been there recently.

Senator MASON: I have been to UTS.

Senator Chris Evans: There is a very extensive development of quality facilities occurring, and quite an extensive program. I was at the University of South Australia the other day. There is a big redevelopment going on there. Some of it we have already funded through earlier programs. But universities are engaged with that. There is no doubt, from

reading the higher education pages, that universities are beginning to talk about their capital needs to deal with the growth, and you would not be surprised to know that vice-chancellors think I can help them with that. But I think it is equally true that we need a response that is not just about Commonwealth funding, and we are going to have to engage in that conversation, if you like, in a sense—

Senator MASON: The coalition would agree with you on that.

Senator Chris Evans: I think uncapping of places will be, hopefully, completed shortly, with the legislation carrying. Techs have been established. I think the indexation issue has been resolved. I suspect the debate will move on a little to the capital question, and I get a sense of it doing so already, and we have obviously got the base funding review. I think universities are realising they will need to invest in capital projects, and they are, I think, realising that they are going to have to be more creative about—

Senator MASON: I can see that. I accept that. Mr Hazlehurst, has the department done any projections about what these new students will mean in terms of capital expenditure?

Ms Paul: I think we have been pretty clear here that you cannot do it. That is a too simplistic a way of looking at it—that is, how would you allow for online delivery, et cetera. The best answer, I think, is the one that Mr Hazlehurst gave to your question, which is that universities are each, as autonomous institutions, developing their own enrolment projections—

Senator MASON: I understand that.

Ms Paul: and, on that basis, their own infrastructure projections, too.

Senator MASON: But you must have looked at what is likely to happen in terms of the requirements for capital expenditure to house these students. I do not think that is asking too much, Ms Paul. I do not think that is—

Ms Paul: I think we have answered your question.

Mr Hazlehurst: I would just make two other observations. The first is that, of the over \$4 billion that has been committed from the EIF fund in recent years, \$2.7 billion is still to be actually spent. In other words, there is \$2.7 billion worth of capital projects that are yet to be completed. That will make a significant contribution.

Senator MASON: I will get to the EIF, but it all depends on time. But, yes, I appreciate that. That is right; I know that is right. But my question again is: has the government done projections about what the cost is likely to be?

Ms Paul: And I think we have answered your question.

Senator MASON: The answer is no, but they are engaging in consultations.

Ms Paul: I think the answer is: it is too simplistic to do it in the way that you describe, and we have sat down with universities and we have a good sense of where they, themselves, are going. I think that is our answer, and it stands.

Senator MASON: Have they told you what they think they are going to need? Have they told you what they think what capital expenditure is going to be required?

Ms Paul: They are telling us what their own plans are, based on their own understanding of their funding base, from all sources, and their projected enrolments. Clearly, they are businesses in their own right.

Senator MASON: Based on those understandings, how many more campuses are we going to need?

Ms Paul: You cannot answer that question—unless we look at all those compact discussions to see if any of them have talked about campuses. We could try to take that on notice for you. But you cannot take an additional number of students and turn it into an additional number of campuses. It just does not work as an equation.

Senator MASON: More broadly, how are they going to house, and what capital infrastructure will they require to house, these extra students?

Senator Chris Evans: I think we have now talked about this for quite a long time.

Senator MASON: I have not received—

Ms Paul: You cannot make that simplistic equation.

Senator Chris Evans: Ms Paul is trying to be helpful. There is so much happening in this space: online learning, changing of the way they use learning spaces, underutilisation on some campuses and overutilisation on others, introduction of summer schools in some—

Mr Hazlehurst: Trimesters sometimes.

Senator Chris Evans: Trimesters. There is a lot going on in this space. If we were to say we were going to sit down and work out exactly how many more buildings or how many campuses we would need, it would not be worth the paper it was printed on. The universities are fiercely independent, as you know, and they are working on their business plans, if you like—though they probably would not like me using that term.

Senator MASON: No, they do not like that term.

Senator Chris Evans: But, as to how they intend to grow and how they intend to manage that business, I think that, beyond what we have given you, we are not able to assist you. I do concede that the capital issue is one that is emerging now, as they come to terms with those issues, but we are not able to say, 'There are going to be 15 more campuses,' or 10 more campuses, or eight more campuses. Each of the universities will make its own decisions about how it services its growth and, as Mr Hazlehurst said, we get some sense of that when we have the compact discussions, and I think there is a bit of a debate going in the sector about how that is going to be handled.

Senator MASON: I accept all that. You are quite right, Minister, to say that it is not just about Commonwealth funding. I agree with you. I do not think there is any doubt about that. But, as you and I both know, when we have many, many thousands more students attending universities, though it varies from university to university, let us say that around 40 per cent of money will come from the Commonwealth government for that. The Commonwealth government cannot, in a sense, vacate the field. Even if it might want to, it cannot do that.

Senator Chris Evans: No, no, and I do not think anyone is pretending that.

Ms Paul: No one is arguing that.

Senator Chris Evans: As I say, the vice-chancellors have raised the question of their capital and other funding needs with me on numerous occasions, as I am sure they do with you.

Senator MASON: Yes. I think the roar will become louder, I think, now with uncapping, and I just hope the government—any government—is prepared for it.

Senator Chris Evans: That is right, but I think—as is always the case with these things—that our having delivered on indexation will mean we roll on to another issue, in a sense, and I will continue to remind universities of what a major decision that is, what a driver it will be of Commonwealth cost, and what a huge advantage that decision is for them.

Senator MASON: The certainty, in effect?

Senator Chris Evans: The certainty, but also the dividend this year of—3.8, is it?

Mr Hazlehurst: The increase in indexation for 2012 is 3.8 per cent.

Senator Chris Evans: And it would have been 1.7 per cent under the old scheme? Is that the figure I had?

Mr Hazlehurst: Yes.

Senator MASON: Thank you, Minister. Before we get off the budgetary conversation, can I just go back to the \$1.2 billion figure that, it is claimed in the PBS, is being provided in 2011-12 specifically to support the demand-driven funding system. That is the figure that is mentioned. How is that figure derived? What is the breakdown of the exact composition of that—

Senator Chris Evans: Mr Hazlehurst actually said that. He said that a little while ago.

Senator MASON: Yes. Could you say it again, Mr Hazlehurst, for my benefit?

Mr Hazlehurst: I will, and then I will allow Mr Warburton to actually give you year-by-year, because he gave you the first year, and he can give you the other years.

Senator MASON: Yes, he did.

Mr Hazlehurst: The additional expenditure associated with the demand-driven system from 2010—

Senator MASON: It adds up to \$1.2 billion. You have to help me here.

Mr Hazlehurst: From 2010 through to 2015, I think, is the number we have.

Senator MASON: Yes.

Mr Hazlehurst: So the \$1.2 billion is the additional expenditure over the forward estimates associated with the demand-driven system. The \$3.97 billion, which is also referred to, is the total additional cost associated with the uncapping of places. So it includes the two years of 10 per cent overenrolment, and then it includes the following years into the forward estimates. The \$1.2 billion is not just being spent in 2011-12. The page you referred to in the PBS talks about that being in relation to the forward estimates. So it is an additional \$1.2 billion being applied, prospectively, into the forward estimates, associated with the demand-driven system. If you want the breakdown, I believe we gave you the 2010 figure.

Senator MASON: Yes, you did.

Mr Hazlehurst: We can give you the other figures as well.

Senator MASON: Mr Warburton, do you have them with you, do you?

Mr Warburton: Yes. This is the calendar year disaggregation of the \$3.97 billion. Are you right?

Senator MASON: Yes.

Mr Warburton: 2011 is 290.8, 2012 is 717, 2013 is 785.7, 2014 is 852.6 and 2015 is 936.5.

Senator MASON: Does that add up? I assume that all—

Mr Hazlehurst: It adds up to 3.97.

Mr Warburton: I believe so.

Senator MASON: So it does. I take your word for it.

Mr Hazlehurst: With rounding.

Senator MASON: That is fine.

Senator Chris Evans: Get your calculator out. Go on, give it a crack.

Senator MASON: No, no, I have my calculator for later on, on another issue with which I do not even think my calculator is going to help me. As to the base funding review, Minister, that you mentioned before, when is that due? In October-November?

Mr Hazlehurst: October.

Senator MASON: Do we have any idea when the government will be providing its response to that?

Ms Paul: We have not received it.

Senator Chris Evans: We have not even received it. So I guess the simple answer is no, but I have been trying to dampen expectations that rivers of gold will flow from the report immediately.

Senator MASON: Do you think it will be before the next budget, Minister, or, again, you just do not know?

Senator Chris Evans: I do not think there is any chance of it being before the next budget. Well, sorry—

Senator MASON: You gave a response then?

Senator Chris Evans: I think the government will want to engage with stakeholders once the report is down, and then examine its position, and obviously stakeholder reaction and engagement of the issues canvassed will be a useful process. Then the government will formally consider the report.

Ms Paul: Yes.

Senator MASON: But I assume it would be before the next election. Was that a rude question?

Senator Chris Evans: I do not think of the report or the response being in election time frame. This is a very serious issue.

Senator MASON: I agree.

Senator Chris Evans: We have addressed many of the funding issues in the last few years, including record extra investment in the higher education sector, and this is a particularly complex and fraught task—which everyone in the sector, I think, agrees—and it will be a highly anticipated report but, equally, I am sure, it will be a contested report, whatever the report finds.

Senator MASON: I agree. And there are no easy answers.

Senator Chris Evans: No.

Senator MASON: I know that. Indexation: not, I know, a sexy topic but, again, an important one, I think, Ms Paul. Is that right?

Ms Paul: Absolutely.

Senator MASON: Senator Ronaldson is coming but we will see how we go over the next 10 minutes. I think he wants to ask some questions at about 5 o'clock, but let me kick off, if that is all right. In relation to indexation: do the new indexation arrangements apply to all programs funded under the Higher Education Support Act?

Mr Hazlehurst: Yes.

Senator MASON: Are there any programs, grants or funding that universities receive from the government that will not benefit from those increased indexation arrangements?

Mr Warburton: There are annual appropriations, and there are different arrangements in respect of different appropriations, I believe. But they are not subject to the new indexation formula. It applies to funding under HESA, so it does not apply to annual apps.

Senator MASON: Annual?

Mr Warburton: Appropriations.

Senator MASON: That makes sense. When do they formally take effect?

Mr Hazlehurst: The major changes occur from 2012. There is indexation of student contribution amounts under the current CGS funding arrangements. Student contribution amounts have been indexed in 2011.

Senator MASON: Then what is the total amount of additional funding being provided to universities under indexation? Per year and over the entire forward estimates, what is the additional amount?

Mr Hazlehurst: I will make a start on that while Mr Warburton checks to see whether he has the year-by-year breakdown of indexation, but the additional overall expenditure associated with indexation in the period calendar years 2011 through to 2015—so bearing in mind that, as I mentioned a moment ago, there has been partial implementation of the new indexation arrangements in 2011—

Senator MASON: Yes, you mentioned that.

Mr Hazlehurst: the total is \$3.15 billion. In the budget—

Senator MASON: Sorry, can we just go back. I am not sure I got this, Mr Hazlehurst. So what you are saying is: the indexation arrangements over the forward estimates to 2015 means the additional expenditure is \$3.15 billion.

Mr Hazlehurst: Yes. That is across both the DEEWR and DSA portfolios.

Mr Warburton: Senator, there is an additional six months outside of the forward estimates period, because this is in calendar year terms, but we—

Senator MASON: Thank you, Mr Warburton. I just want you to go back. Mr Hazlehurst, that relates to universities?

Mr Hazlehurst: That is correct.

Senator MASON: Which DSA does have some role in; I understand that. That is fine. What proportion of the additional funding contained in the forward estimates is solely attributable to the application of the indexation formula?

Mr Hazlehurst: Which additional expenditure do you mean?

Senator MASON: The additional expenditure that was the \$1.5 billion.

Mr Hazlehurst: Do you mean the additional expenditure associated with the demand-driven system?

Senator MASON: Yes.

Mr Hazlehurst: So are you referring to the \$3.97 billion, or are you referring to the—

Senator MASON: The \$3.97 billion and the \$1.5 billion.

Mr Hazlehurst: I think we have that for the \$3.97 billion.

Mr Warburton: Senator, there is \$163.8 million, which is in both of the figures we have given you. So it is the overlap, if you like. Within the \$3.97 billion, which is for places for the demand-driven system, and the \$3.15 billion, which is indexation, there is \$163.8 million which is in both of those, if you like. It is a bit complicated to explain why, but, if you are wondering about the overlap: \$163.8 million.

Senator MASON: No, no. It is all right. I believe you, Mr Warburton.

Senator Chris Evans: We gave that right at the start, Senator. There is that overlap.

Senator MASON: Yes. I am not trying to suggest there is any malfeasance. You may need to take this on notice, Mr Warburton. Senator Ronaldson has arrived, so I will wrap up on indexation, but let me just ask this. Could you provide a breakdown of the amount of each individual's program's funding—the program's funding—under the Higher Education Support Act that is attributable to the indexation arrangements? Is that possible? That is just not clear in the PBS.

Ms Paul: What do you mean by that, actually?

Mr Warburton: It would not be clear in the PBS because indexation is a matter that is dealt with in estimates updates and it is not a measure. It technically can be done for every program, but there is quite a significant amount of work in doing it for every program.

Senator MASON: How much work, Ms Paul? If it is ridiculous, I am not—

Ms Paul: I think we will have to take it on notice and gauge that. The thing is that indexation is a set percentage and it is quite tricky.

Senator MASON: Is it?

Ms Paul: But let us take it on notice and see what we can do for you.

Senator MASON: I cannot question you, Mr Warburton, because I am not very good with numbers.

Mr Griew: When you are doing the assessments, you do not just come along and add the indexation at the end so that you could easily take it off.

Senator MASON: Sorry, sir, what was that?

Mr Griew: When you are putting the estimates together, you do not just go and add the indexation on at the end so you could easily lift it off and show it to you. It is on all the different subelements.

Senator MASON: Is that right? It is not something you—

Mr Griew: It is not like you just push a button and it peels off and we can show you the size of it.

Ms Paul: We will take it on notice.

Senator MASON: It is fully integrated within the figure, is it?

Ms Paul: Yes it is, but we will take it on notice and see what we can do.

Senator MASON: It is figures, Ms Paul. This has been of no use.

Ms Paul: No, never mind.

Senator MASON: No use. Mr Chairman, I have finished with indexation. I am happy to hand over—

CHAIR: You only get the right answer when you do use it, anyway.

Senator MASON: Thank you, Mr Chairman. I am happy to yield to Senator Ronaldson.

CHAIR: Senator Ronaldson.

Senator RONALDSON: Hello, Chair. It is good to see you. I have been tied up elsewhere today. It is just nice to be back, I have to say. So thank you very much, Chair. I understand that, on 14 April this year, a review was announced into Indigenous higher education to be conducted by Larissa Behrendt; is my pronunciation right?

Ms Paul: That is right.

Senator RONALDSON: Thank you.

Ms Paul: I am not sure about the pronunciation, but the date is correct.

Senator RONALDSON: How was Ms Behrendt chosen to lead this review?

Mr Griew: Professor Behrendt was appointed to lead the review. She is a government appointment appointed by the minister.

Senator RONALDSON: I take it from that that the position was not advertised.

Mr Griew: It is a government appointment.

Senator RONALDSON: Sorry?

Mr Griew: A government appointment.

Ms Paul: Yes, that is correct, it was not advertised.

Senator RONALDSON: Thank you. It will be a lot quicker if you just say yes or no to that sort of question. The position was not advertised. Was the minister for Indigenous affairs, Jenny Macklin, or her department consulted on who would be the appropriate person to lead this review?

Mr Griew: No.

Senator RONALDSON: Were any members of the Aboriginal community consulted about who was appropriate to lead the review?

Ms Vandermark: Yes, the Indigenous Higher Education Advisory Council was consulted on the appointment.

Senator RONALDSON: Thank you. Were they advised of the outcome, or was there input sought in relation to Ms Behrendt's appointment?

Mr Griew: Could you clarify the question, sorry? Do you mean were they advised of the outcome at the announcement or before the announcement?

Senator RONALDSON: Were they advised that the minister was going to appoint Ms Behrendt before the event?

Mr Griew: Yes.

Senator RONALDSON: Were they consulted as to who they would like to conduct the review?

Ms Vandermark: The review was originally anticipated as an outcome of the Bradley review some time ago, and the council has had conversations about the review, the nature of the review and the appropriate terms of reference.

Senator RONALDSON: I am sure they have. Thank you for that. Yes, would you like to answer the question. That would be good.

Ms Paul: She is answering the question, Senator.

Senator Chris Evans: Senator, don't bully the witness. Please, Mr Chairman.

Senator RONALDSON: That was not the question.

Senator Chris Evans: She was giving a comprehensive response to the question. Just let her finish her answer, and then you can ask the next question.

Ms Vandermark: Senator, in that context there were conversations about leadership of that review and what form that review might take.

Senator RONALDSON: Was Ms Behrendt's name included in those discussions, or was it, if you like, a job description that was put together for discussion?

Ms Vandermark: As I hoped to indicate, there were discussions about the review and about the model of the review, and several conversations about potential people who might be involved in that review.

Senator RONALDSON: Did the review committee put forward some other names for consideration by the minister?

Mr Griew: Do you mean the Indigenous higher education committee?

Senator RONALDSON: This is the group we are talking about, isn't it?

Ms Vandermark: The Indigenous higher education committee was not asked to formally propose names to the minister, no.

Senator RONALDSON: Why was that; do you know?

Ms Vandermark: The committee had had several discussions about the review. The chair of the council, Professor Steve Larkin, was anticipating that he would be included in the review, and there were discussions about his involvement. There were discussions about the

size of the review panel et cetera. In that context, names of various people were discussed, but IHEC was not asked to formally propose names to the minister.

Senator RONALDSON: Why would the position not have been advertised?

Mr Griew: It is completely normal in a situation where a government is setting up a review for the chair of a review panel to be a government nominee. It is important to clarify that Professor Larkin, who is the chair of the Indigenous Higher Education Advisory Council, is also a panel member, so he is on the review as well, together with Professor Behrendt and two senior officials.

Senator RONALDSON: Given the nature of the inquiry, who made the decision not to brief the minister for Indigenous affairs in relation to this matter?

Ms Paul: I do not know that we can answer that. I would imagine through our own work and through the Indigenous higher education committee, the Indigenous higher education committee in particular would think it had a good knowledge of the field.

Mr Griew: The other part in this is, of course, the Department of Industry, Innovation, Science and Research; being the other part of the higher education sector. So this is a review that was worked up between the two departments responsible for universities.

Senator RONALDSON: This is a pretty significant review, isn't it?

Mr Griew: Absolutely.

Senator RONALDSON: On that basis, Minister, I would have thought that your colleague, Minister Macklin, would have been consulted in relation to the person who was going to chair this review. Were you a bit surprised that Jenny Macklin was not consulted?

Senator Chris Evans: No. As Mr Griew just said, the responsible minister is mainly me as the minister of tertiary education. The other responsible minister is Senator Carr as Minister for Innovation, Industry, Science and Research, and he has responsibilities for university research. But the decision was made in the normal processes of government. Those positions are not advertised generally. You select a chair of the review, there was some consultation with the Indigenous Higher Education Advisory Council, and Ms Behrendt was selected and appointed.

Senator RONALDSON: Did you take this to Cabinet?

Mr Griew: No.

Senator RONALDSON: Minister, where did the suggestion come from to you that Ms Behrendt should chair this?

Senator Chris Evans: Senator, I am not—there are names that are discussed as suggestions put. I cannot recall exactly, but she was the person we settled on.

Senator RONALDSON: Do I take it from that that other names were suggested too?

Senator Chris Evans: I am not going to go into details of advice given to me; but, yes, clearly, in a process where you are looking for a chair, various qualified persons are considered. I am not going to take you through who or who suggested whom.

Senator RONALDSON: When you consult about someone to fill that role, the first person, or even the second person, you would go to would be the minister for Indigenous affairs, wouldn't it?

Senator Chris Evans: No.

Senator RONALDSON: No?

Ms Paul: As we have said, the IHEC and so on are in themselves a body of Indigenous higher education experts.

Senator Chris Evans: I explained to you the portfolio responsibilities in relation to this review.

Senator RONALDSON: I accept that. I am just completely and utterly amazed that you did not speak to your colleague about this, given her longstanding interest in this area and her significant, I have got to say, knowledge of Indigenous affairs—very, very significant knowledge. I doubt whether there would be anyone else in your government who has greater knowledge of Indigenous matters and Indigenous communities than Ms Macklin has.

Senator Chris Evans: I do not disagree with your assessment of Ms Macklin's capabilities. I have always argued she is a highly competent minister and a very good policy person and makes a huge contribution to the government.

Senator RONALDSON: Where does Ms Behrendt reside, do we know?

Mr Griew: In Sydney.

Senator RONALDSON: Do you know if she speaks any Indigenous languages fluently or otherwise?

Mr Griew: It is not something I am aware of.

Senator RONALDSON: Would you take that on notice for me?

Ms Paul: Sure.

Senator RONALDSON: Thank you. As part of this role, I presume that there will be submissions and discussions with Aboriginal communities throughout Australia, and that Ms Behrendt will be required to travel to obtain that feedback.

Mr Griew: Ms Behrendt, along with other members of the panel, will undoubtedly consult Indigenous and higher education stakeholders. The first meeting of the panel has been conducted and that planning is well underway.

Senator RONALDSON: I presume there will be some Indigenous community members whose grasp of English will be better than others. Will you provide interpreters or will they take interpreters with them in relation to this inquiry?

Mr Griew: The normal arrangements would be made, including people with a capacity to interpret if the panel was meeting traditional people in country where language was appropriately the currency of communication.

Senator RONALDSON: Did you investigate, Minister, whether there was anyone with Indigenous language skills who might have been able to play this role as chair?

Senator Chris Evans: I did not. It is, of course, relevant that a person with one Indigenous language would face the same obstacles in many other parts of the country with other Indigenous language speakers.

Senator RONALDSON: I accept that. What are the contractual arrangements in the financial sense with Ms Behrendt?

Ms Vandermark: Professor Behrendt is being remunerated in accordance with remuneration tribunal levels, and as such she is being paid a daily rate of \$641 per day for her involvement in the review.

Senator RONALDSON: Is this capped?

Ms Vandermark: No, this is not capped at this stage.

Senator RONALDSON: When is it anticipated that the review will be finalised and Ms Behrendt's services will no longer be required?

Mr Griew: This is a review that will be finished by Christmas and is not a full-time activity.

Senator RONALDSON: How many days a week is it then?

Mr Griew: I'm sorry?

Senator RONALDSON: It is not capped. I have just been told it is not capped.

Ms Paul: Because it is usually—remuneration tribunal remunerations are usually on a per diem. I presume that is what we are looking at.

Mr Griew: Yes, and there is a cap.

Ms Paul: You do not know how many days; it is on a per day basis.

Mr Griew: But there is an effective cap in the fact that there is a time limited review which is being conducted on a part-time basis.

Senator RONALDSON: It is limited to seven months by 30 days, so 210 days at \$641?

Ms Paul: We have just said the opposite, of course.

Mr Griew: I have just said something completely different to that.

Ms Paul: We said it is a part-time review.

Senator RONALDSON: Sorry?

Senator Chris Evans: It is a part-time review, Senator. As I understand, Ms Behrendt will continue to have responsibilities at the University of Technology Sydney, but the university has agreed to make time available for her to conduct the review. We can get further information on notice as to the expected workload for you. But, obviously, the panel will work through what the demands are in terms of consultation et cetera. But there is a time limit on it. It is part time and the per diem applies.

Senator RONALDSON: What is the budget, Minister, for this review committee's work—travel budget, staff et cetera?

Mr Griew: It would be—the money is set aside in the department's budget for it. How much it will cost will depend on the amount of travel largely. We can give you an estimate of the amount of travel and the costs that will be associated with that plus the sitting days.

Ms Paul: We will take it on notice.

Senator RONALDSON: Which budget is this going to come out of?

Ms Vandermark: In the budget measure, which was announced at the last budget, there is \$1.5 million set aside for this review in 2012.

Senator RONALDSON: When was the appointment made?

Ms Vandermark: The appointment was made in April of this year.

Senator RONALDSON: About eight months—you are expecting an expenditure of \$1.5 million.

Mr Griew: What I was just careful to explain is that how much we will spend depends on the number of sitting days, any studies committed and so on. We can give you an estimate as the review advances.

Senator RONALDSON: I presume the estimate is \$1.5 million.

Ms Paul: No, that is not what Mr Griew is saying. Mr Griew is saying that is the outer envelope, and it could well be less than that. And what we have offered for you is to take on notice what we think the best current estimate might be.

Senator RONALDSON: Could it be more?

Ms Paul: That is the outer envelope, so it will not be more.

Senator RONALDSON: It could be more?

Mr Griew: No, we just said it will not be more.

Ms Paul: I said the opposite to that.

Senator Chris Evans: Senator, do not misinterpret an answer. The officer said no, and you said, 'it could be more'. You know that is not—

Senator RONALDSON: I thought —

Senator Chris Evans: Senator, just treat the officers with respect and not try and misrepresent what they have said.

Senator RONALDSON: That is not what I thought the officer said. That is fine. I am quite happy to—

Senator Chris Evans: We will speak louder then, Senator, because clearly—

Senator RONALDSON: If you would not mind speaking louder, I would be very grateful.

Senator Chris Evans: Okay.

Senator RONALDSON: Approximately three days after the review was announced and after Ms Behrendt was announced as being the chair, are you aware, Minister, of a quite vicious personal attack by Ms Behrendt on a highly regarded Aboriginal elder, Bess Price?

Senator Chris Evans: I have read the report of the tweet and the coverage of that, yes.

Senator RONALDSON: Yes. Are you aware of Bess Price's comments on *Q&A* in relation to opportunities for Indigenous women and education and the intervention? I will just go through it for you.

Senator Chris Evans: Sorry, Senator, are you asking me am I aware of Professor Behrendt's—

Senator RONALDSON: No, of Bess Price's comments on *Q&A*.

Senator Chris Evans: I did not see the show. I saw the reporting of it.

Senator RONALDSON: I will just go through it. On that program, Bess Price said of Indigenous women:

Equal opportunity doesn't exist for our women, and once the military have done their overhaul of their men and policies . . . maybe they could come our way and sort some of our fellas out, because what's happening now women just haven't had a voice.

And then:

Women want to move forward and be respected and be seen as equals.

When asked what can be done to improve the living standards for Indigenous women, Bess Price responded:

Education is the first one on top of the list—from six up to 18. Children don't know how to write their own names.

Of the intervention, Bess Price said:

I am for the intervention because I've seen progress, I've seen women who now have voices. They can speak for themselves, and they are standing up for their rights. Children are being fed, and young people more or less know how to manage their lives. That's what's happened since the intervention.

As Bess Price was expressing these views, are you aware of the comments tweeted by Ms Behrendt?

Senator Chris Evans: Senator, I am aware of the report.

Senator RONALDSON: Yes. It is more than a report. She said:

I watched a show where a guy had sex with a horse and I'm sure it was less offensive than Bess Price.

Are you aware of those comments?

Senator Chris Evans: I read it. I have no personal knowledge other than what I have read in the newspaper.

Senator RONALDSON: An outrageous statement and treated with utter contempt by many within the community, and I will just go through some of them. Marcia Langton, the Chair of Indigenous Studies at the University of Melbourne wrote in the *Australian*:

I have never in my life witnessed such extreme disrespect shown by a younger Aboriginal woman for an older Aboriginal woman, except where the perpetrator was severely intoxicated on drugs or alcohol. Nor have I witnessed, except once or twice, such snide dismissal by a younger Aboriginal woman of an older Aboriginal woman's right to express her views. Those of us who were brought up in the Aboriginal way were taught from a young age to show respect for our elders and not to speak while they are speaking. This is a fundamental and universal law in Aboriginal societies.

We have already ascertained, have we not, that Ms Behrendt is going to be travelling around Australia speaking to people in Aboriginal communities, and presumably seeking their views in relation to her review. I will go on. Retired Indigenous magistrate, Dr Sue Gordon said—

CHAIR: There has to be a question, though, Senator Ronaldson.

Senator RONALDSON: I know you do not like this, but I—

CHAIR: It is not about me not liking something. The process here is that you ask questions of the officers to get answers. It is not for you to come and read excerpts about anything you like; so have you got a question? If you have got a question, ask your question. If you have not got a question, we will move on to someone else.

Senator MASON: Senator Ronaldson, I must admit I have committed that cardinal sin myself on a few occasions.

Senator RONALDSON: Chair, if you look at *Hansard* you will note that I actually read out something and then asked a question. Perhaps if you can let me go on—

Senator Chris Evans: I think on the last occasion you read out something and then made a commentary. I am happy to answer questions. Maybe you want to get to the question.

Senator RONALDSON: Thank you. Dr Sue Gordon said:

I was extremely shocked that she has been appointed. It is more than inappropriate ...

... ..

The Gillard government must reconsider this decision because higher education is something we aspire to and she now has to go and meet people across the country. You have to be above reproach to take on a job like that. You have to have respect from people on the ground to do a job like that.

Minister, are you aware of those comments?

Senator Chris Evans: Yes, Senator.

Senator RONALDSON: Thank you. I find that was a question, I think, Chair. In relation to Alison Anderson, a former Labor MP, now an Independent Indigenous MP in the Northern Territory, said:

I think it's inappropriate for the government to be giving her a position like this in light of the remarks she's made about Bess Price ...

It's easy to say she's apologised but the damage has already been done now and her reputation with indigenous people is in tatters. I think it compromises the review she is going to do. I don't think people will participate in it at all.

Are you aware of those comments, Minister?

Senator Chris Evans: I am not sure I have heard them before, Senator.

Senator RONALDSON: Warren Mundine, former ALP president, said:

I don't think she's objective enough to do that job ... She's a very ideologically driven person and I'm concerned about the kind of outcome we will have.

I have serious doubts that she will come up with a solution.

Education will play a major role in moving us off welfare. I'm concerned this is a sign that the government is losing its nerve on economic development because it is an appointment I have serious doubts about.

It was later revealed—sorry, are you aware of that point, Minister?

Senator Chris Evans: I remember seeing Mr Mundine's comments.

Senator RONALDSON: Were you aware of revelations in the *National Indigenous Times* that there had been pressure exerted on the editor to drop a column written by Aboriginal activist and human rights lawyer Hannah McGlade because Ms Behrendt disagreed with Ms McGlade's opinions as expressed in her column? Are you aware of that?

Senator Chris Evans: I am aware of a debate around that. I think there was some commentary denying it as well, I gather.

Senator RONALDSON: Are you aware that Ms Behrendt has actually not apologised for the comment; she apologised 'if it caused offence'. So she has not even apologised to Ms Price. Are you aware of that?

Senator Chris Evans: I understood she provided an apology.

Senator RONALDSON: Do you agree with Mr Mundine's comments that Ms Behrendt will not be objective?

Senator Chris Evans: No.

Senator RONALDSON: Do you agree with Mr Mundine's comments that she is ideologically driven?

Senator Chris Evans: Not in terms of this review.

Senator RONALDSON: Do you agree with the comments of Marcia Langton or Sue Gordon?

Senator Chris Evans: I am not going to respond to every comment made by someone. If you ask me what my own view is about the comments, I am happy to tell you. I am happy to tell you I have a great deal of respect for many of the people you have mentioned. Mr Mundine, in particular, was National President of the Labor Party while I was opposition spokesman for Indigenous affairs. I worked very closely with him and have continued to have a very good relationship with him. I do not necessarily agree with him on everything. But I regard him as an intelligent contributor to the debate and value his commentary, but I do not always agree with him and he does not always agree with me.

Senator RONALDSON: 'I don't think she's objective enough to do that job. Her reputation is in tatters with the Aboriginal community.' What actions is the government going to take to address the situation with Ms Behrendt? Are you going to maintain her in this position?

Senator Chris Evans: Yes.

Senator RONALDSON: Given everything that has been said about her appointment, her behaviour and her level of involvement with Aboriginal communities, both during and after this inquiry, the government still believes that this person is appropriate to lead this inquiry?

Senator Chris Evans: I regard the remarks that were tweeted as offensive and inappropriate. That has been conveyed to Ms Behrendt by my office. But she was highly qualified to take on this position, was appointed in an appropriate way, and I think she can do the job asked of her in conducting this review.

Senator RONALDSON: I am putting to you that she no longer fulfils the requirements of this job because the Aboriginal community do not believe that she is appropriate to lead this review. What she might have been before this outrageous comment is one thing; since those comments, the dynamics have changed and she is no longer qualified to lead this inquiry because of those comments and the comments of the Aboriginal community. I mean, these are very serious participants in Indigenous debate—Sue Gordon, Marcia Langton. I do not know Ms Anderson but the other two I certainly acutely aware of, and they say now that she is not an appropriate person to lead this inquiry. Have you spoken to her?

Senator Chris Evans: To Ms Behrendt?

Senator RONALDSON: Yes.

Senator Chris Evans: Not in recent times.

Senator RONALDSON: Have you spoken to her following these comments?

Senator Chris Evans: Once, I think.

Senator RONALDSON: And what did you say to her?

Senator Chris Evans: That I regarded the comments as inappropriate and offensive, and that she told me she had apologised and was highly regretful of the whole incident.

Senator RONALDSON: The only apology she has given to date that I am aware of is when she apologised 'if it caused any concern'. She does not apologise for the comments at all. In relation to the question of whether this relates to the budget, it most certainly does—about \$1.5 million of the budget.

Senator CROSSIN: She may not have apologised directly, with respect. For all you know—

Senator RONALDSON: I assume it is with your engagement with the Aboriginal community that you would find these comments deeply offensive as well, and I think Bess Price is from your neck of woods, isn't she?

Senator CROSSIN: That is right, so perhaps you should ask Ms Price if she has had a discussion with Ms Behrendt.

Senator RONALDSON: You will not—

CHAIR: No, if you have some more questions to ask the minister or the department, you can ask those questions. I am not going to have a debate with senators across the table, so have you got more questions?

Senator RONALDSON: The senator did ask me a question of how it related to the budget, so I indicated to her where it was.

CHAIR: She did not actually ask you a question. She may have made a comment which was out of order. If you have some more questions, ask them; otherwise, we will move on, because there are plenty of people lining up to ask questions.

Senator RONALDSON: These comments now having been drawn to your attention, will you now review the decision to—

Senator Chris Evans: They have not been drawn to my attention by you now, if that is the—I told you I have been—

Senator RONALDSON: So you were fully aware of all these comments before—

Senator Chris Evans: I told you that I had followed the press reporting of the incident.

Senator RONALDSON: So you were fully aware of the comments of Marcia Langton and Sue Gordon?

Senator Chris Evans: As I said to you, Senator, most of them. I was not sure about one of the ones you quoted, but I have read the coverage. I told you that.

Senator RONALDSON: And Warren Mundine, were you aware of his comments?

Senator Chris Evans: Yes.

Senator RONALDSON: Despite all that, you have made the decision to continue with Ms Behrendt in this position?

Senator Chris Evans: I told you what I have done.

Senator RONALDSON: Thank you, Chair.

CHAIR: Thank you. Senator Mason.

Senator MASON: Ms Paul, I have a few quick questions about the Education Investment Fund. I think I have asked these questions before or very similar ones. What is the current balance of the Education Investment Fund?

Dr Hart: \$5.246 billion.

Senator MASON: Have there been any contributions to the EIF since the 2007 election?

Dr Hart: January 2008 was the last contribution.

Senator MASON: Was that a result of the coalition's budgetary decision?

Dr Hart: I understand it was.

Senator MASON: Thank you. Are there any further capital injections planned by the government?

Ms Paul: That is a matter for government.

Senator MASON: If there are any planned ones, Ms Paul. But I am giving you an opportunity to tell me about any planned injections.

Senator Chris Evans: The announcements about injections were contained in the budget, and the major one, of course, was the regional EIF of \$500 million.

Senator MASON: Thank you. Can I ask how much—Mr Hart, I suspect you will have this on you as well because you are always well prepared. How much interest in total has the fund earned since originally being set up as HEEF?

Dr Hart: As the Education Investment Fund, it has earned \$612 million.

Senator MASON: Yes.

Dr Hart: It previously earned \$485 million as HEEP.

Senator MASON: It is a bit over a billion, then, isn't it—1.9?

Dr Hart: That is correct.

Senator MASON: What is the total of funding commitments that the current government has announced from the fund? What are the total funding commitments thus far?

Dr Hart: They are \$4.554 billion, Senator.

Senator MASON: And those are commitments?

Dr Hart: That is correct.

Senator MASON: Of the commitments, how much has actually been spent?

Dr Hart: It is \$1.85 billion.

Senator MASON: \$1.85 billion?

Dr Hart: That is correct.

Mr Hazlehurst: Senator, just to clarify—

Senator MASON: Yes, Mr Hazlehurst.

Mr Hazlehurst: The number that Mr Hart referred to as being the commitment includes the \$500 million for the regional EIF round.

Senator MASON: I will just note that. Mr Hazlehurst, could you say that again, please?

Mr Hazlehurst: So the figure that Mr Hart referred to—

Senator MASON: The figure that Mr Hart mentioned as commitment.

Mr Hazlehurst: Yes.

Senator MASON: The 4.554.

Mr Hazlehurst: It includes \$500 million for regional EIF.

Senator MASON: Okay. That is good, thank you. We are bouncing around a bit here, Ms Paul. Is that all right?

Ms Paul: That is fine.

Senator MASON: You do not mind bouncing around a bit?

Senator Chris Evans: Always a wild ride with you, Senator.

Senator MASON: I do not know about that. It has been a very civilised ride today, I would have thought, Minister. Did we touch on maintenance backlogs before in our earlier discussion? What evidence is there of the current capital investment backlog that exists in Australian universities? Is there any sort of data about the maintenance backlog?

Ms Paul: We have historically had some data, as I think we have discussed here before. I am not sure whether we have got anything up to date.

Dr Hart: Senator, we conduct an annual capital asset management survey plan with the universities, and one of the issues we try to identify is the backlog maintenance. I do not have with me the details of the status of that of all of the universities, but that provides the advice from the universities as to the status of their maintenance.

Senator MASON: Can the committee have a copy of that?

Dr Hart: We will have to take that on notice, yes.

Senator MASON: Right, Mr Hart. I am sure the minister would agree it is an issue constantly raised by vice-chancellors and I know the government quite rightly says that it is an issue for universities and their budgetary processes, but I just want to know what the situation is and how dire it is. Clearly it varies between universities and I appreciate that.

Dr Hart: It does.

Senator MASON: It is a responsibility not just of government. It is a responsibility of universities and management. I understand that, but I just want to get a figure. If you could take that on notice, that would be very useful.

Senator MASON: Could we go to the methodology for determining low-SES students. There are obviously different ways of measuring socio-economic status. What is the current measure you use for defining whether a student is from a low-SES background?

Mr Hazlehurst: Senator, there are two methodologies that have some relevance here. The first is the methodology that was used originally to calculate the targets for the purposes of the 20 per cent target that you would be familiar with.

Senator MASON: Yes.

Mr Hazlehurst: That was based on postcodes for each student.

Senator MASON: Let me just get that. So the 20 per cent Bradley target, or 20 per cent low-SES students, which was the Bradley target, was based on postcodes, Mr Hazlehurst.

Mr Hazlehurst: And based on the—I forget the name of the actual index, but one colleague, Mr Aungles, will be able to confirm the name of the index which is used.

Mr Aungles: The SEIFA index, the ABS SEIFA index.

Mr Hazlehurst: Of employment and occupation, yes?

Mr Aungles: Index of education and occupation.

Senator MASON: What is the acronym for that?

Mr Aungles: Socio-Economic Index for Areas—the index of education and occupation, Senator.

Ms Paul: SEIFA.

Senator CROSSIN: SEIFA.

Senator MASON: Thank you, Senator Crossin.

Mr Hazlehurst: It is the bottom quartile, from the bottom 25 per cent, that is regarded as being from a low-SES area. So that was the postcode measure. The measure we are now using in response to engagement with the sector and further analysis we have done to come up with a better indicator is one which uses both. It uses a smaller area, so instead of postcodes we use census collection districts, which are a smaller geographical location. There is two-thirds weighting of that. Then one-third is based on the receipt of Centrelink benefits. What do I mean by that? Let me try and be really clear, Senator. This is not about determining whether a particular person is a low-SES person; this is for asking: what is the proportion of students that are low SES for a given institution? We look at the proportion that is from this bottom quartile, from SEIFA, by census collection district. There is two-thirds weighting to that, and then one-third weighting on receipt of Centrelink benefits. So it is just a head count.

Senator MASON: Of individuals?

Mr Hazlehurst: A head count of individual students that are in receipt of Centrelink benefits.

Senator MASON: Right.

Mr Hazlehurst: That is referred to publicly as the interim indicator. We are continuing to refine our approach to identifying low-SES students, but that is the indicator that is being used both for the distribution of funding under the Higher Education Participation and Partnerships Program—so the participation component of that, which as you know is the low-SES loading—is based on that indicator, and so too will be performance funding for low-SES participation.

Senator MASON: Yes.

Mr Hazlehurst: In fact, both indicators are referred to now in the performance indicator part of the portfolio budget statement, and we can go and look at it if you want.

Senator MASON: No, no, I will take your word for it.

Mr Hazlehurst: They are both referred to there.

Senator MASON: The second indicator, apparently the more sophisticated indicator—

Mr Hazlehurst: That is correct, Senator.

Senator MASON: Will that make it more difficult to reach the 20 per cent target or less difficult?

Mr Hazlehurst: It is, of course, actually a different indicator, so the target—

Senator MASON: It should not make any difference, should it?

Mr Hazlehurst: is not actually relevant.

Senator MASON: The target does not change, that is true.

Mr Hazlehurst: It will make it more accurate.

Senator MASON: You are right—make it more accurate, not more difficult.

Mr Hazlehurst: That is the key issue.

Senator MASON: You are quite right. That makes sense. I understand.

Mr Hazlehurst: So, strictly speaking, if we are talking about the target, the target was set using the postcode indicator.

Senator MASON: If it is to 20 per cent, the target—and before you were talking about the 25 per cent quartile, the bottom quartile—that is approaching as many low-SES students as any other group.

Mr Hazlehurst: Yes. So it is approaching having the same representation in the general population as you have in the student population. That is correct.

Senator MASON: Yes. Let us take that for granted as a good thing. Then the public policy issue is: are those students sufficiently well prepared to enter and then complete a tertiary qualification, isn't it?

Ms Paul: That is indeed—

Senator MASON: That is where the rubber will hit the road, Ms Paul.

Ms Paul: That is indeed what the reforms in 2009 go to. So there are two components of the equity program that Mr Hazlehurst is talking about. One is the loading for low-SES. The loading per student for low-SES went from I think something like \$100 to \$1,000 per—something like that; I would have to check. I am going back to 2009 now. But the other component also worth a lot of money is one which we picked up on—or Bradley picked up on, I suppose—in particular from the UK and other places, and that is about funding outreach. So it is exactly as you say. The evidence suggests that low-SES students, particularly, need support as they are coming into university and in their first year. So what we are seeing in universities, for example, is good outreach into, say, schools and other feeder TAFEs and other feeder areas, as well as strong support in things inside universities like study skills centres and that sort of thing. So the kind of support in the first year is found to be important. I would have to be reminded, but I think the statistics show that once a low-SES student is in a university undertaking a course the graduation rates are similar, the results are similar. It smooths out, which is great. It is exactly what we want.

Senator MASON: Once they are in, Ms Paul?

Ms Paul: Once they are in.

Mr Hazlehurst: Particularly once they complete first year.

Ms Paul: Particularly once they complete first year. The first year is the thing.

Senator MASON: After first year, okay.

Ms Paul: It is quite interesting. There is quite a lot of research on it, including from other countries.

Senator MASON: I think it is an ambitious target—a worthy one, I might add, Minister—but it is ambitious.

Senator Chris Evans: It is ambitious, Senator. It is good to have ambition in this country—

Senator MASON: It is good to have ambition.

Senator Chris Evans: particularly ambition about educational standards. I have spoken to two universities now where they have actually taken the top student from all the high schools in the state or in various regions. It is interesting. Ten kids from lower socio-economic areas whose graduation, the TER or whatever the equivalent is in their state, is not high and may not have even got them into the university. But once they have gone to university they find their success rates are very good because their TER or their university entrance mark reflects, if you like, the disadvantage they suffered by being in a rural or regional area or in a school—

Senator MASON: In terms of preparation.

Senator Chris Evans: And what had looked like a sort of measure that might be helping people from maybe a lower socio-economic or disadvantaged or isolated background has actually seen them get really good students who have made really good progress. It has actually made them think about the fact that, despite the lower attainment in particular schools, the best students are still the best students, and they are good students. It is interesting, when you give people the opportunity, that they take it.

Senator MASON: Some run with it, yes. This would be—

Senator Chris Evans: So apart from being the sort of program that was almost like a sort of 'charity', like a magnanimous sort of event, they have actually got good quality students out of it. The feedback is interesting.

Senator MASON: I understand, and it will be interesting to watch. Mr Hazlehurst, do we have an indicator of what the current participation rates are for low-SES students?

Mr Hazlehurst: We do, Senator. The current participation rate, I believe, is about 16.2 per cent. That is based on the postcode indicator.

Senator MASON: How about the other indicator?

Mr Hazlehurst: Mr Aungles might have that.

Mr Aungles: It is 14.1 per cent.

Mr Hazlehurst: That was in 2009. That is the most recently available data.

Ms Paul: That is quite interesting, actually, because one of the reasons why this is an ambitious target is that low-SES participation of that bottom quartile had flat-lined for about 20 years at about 15 per cent. So if we are already seeing a tick-up, that is really, really significant. Indeed, that is the experience. When I talk to vice-chancellors, that is the experience that they talk about. They are really putting a lot of effort—the incentives are working basically—into going out and doing things like the minister has described and so on.

Senator MASON: Indeed. Do we have much data on this, Mr Hazlehurst, in terms of participation rates for low-SES enrolments across states and institutions?

Mr Hazlehurst: Yes.

Senator MASON: Could you give that to me across the 39 universities? I would be interested in that and I know Senator Nash would be for regional universities.

Mr Hazlehurst: Yes, I think so, Senator.

Senator MASON: If you could give that to the committee, that would be—

Mr Hazlehurst: We have that information for the purposes of doing performance funding, of course.

Senator MASON: Yes, okay, you do. To get back to what you said before, Ms Paul, about completion rates, the committee would be very interested to have what the completion rates are for low-SES students, if that is alright.

Senator Chris Evans: Senator, the available officer will obviously help on that. But I think one thing is that there is a bit of a lag with completion rates. I myself have been seeking briefings on completion rates and, with the data from universities and the lag, it is not as useful at this stage as it might have been. Mr Hazlehurst, have you solved that problem since the last time I spoke to you about it?

Mr Hazlehurst: No, Minister and Senator. There are two things I would say about that. The first is that, yes, of course if you are wanting to understand what changes have occurred in policy terms it will be the completion rates a couple of years from now that will be the most important.

Senator MASON: Sure. It is a bit early.

Mr Hazlehurst: But the other thing I would add is that completion rates are also somewhat confounded by the fact that you do get movement of students. Raw completion rates overlook the fact that some students are moving from one institution to another. In particular, there are quite a lot of students who will do the first year of the course at a university which was the one they could get into and then might move from that university to the university they wanted to get into.

Senator MASON: Sure.

Mr Hazlehurst: At the moment, those would be counted as attrition in the first university they attended, and a completion eventually for the other university.

Senator MASON: Yes.

Senator Chris Evans: When Mr Hazlehurst briefed me on that, it struck me that actual completion rates are probably higher than the figures published indicate.

Ms Paul: That is right.

Mr Hazlehurst: Or our attrition rate is lower.

Senator Chris Evans: Our attrition rate is lower. The figures actually might make it look worse than it is.

Senator MASON: You will have to—how will I put this—upgrade your statistics.

Mr Hazlehurst: You will be pleased to know, Senator, that we are looking into that.

Senator MASON: You are. That is good.

Mr Hazlehurst: We are using in particular the student identifier known as the CHESSN to actually track students through the system such that we would be able to pick up a completion of a student that might otherwise have been regarded as dropping out of the system.

Senator MASON: You can track them now.

Mr Hazlehurst: Yes. But, again, the observation I would make about that is that it takes quite some time to actually work out then that someone has completed. So they might look like an attrition for quite some time, until they actually complete at the other university. So it is something that, once we start doing it, which we are doing now, you will not really get a really good sense of how universities might be performing for, let us say, four or five years.

Senator MASON: But over time it is much better.

Mr Hazlehurst: Over time it will give us a much better read-out.

Senator MASON: That was my next question. You have stolen it from me, Mr Hazlehurst—that is, can we yet be sure that the money the Commonwealth is spending on these programs, your HEPP programs, is actually assisting low-SES students to complete. But what you are saying is it really is too early to tell.

Ms Paul: It would be now, yes.

Mr Hazlehurst: In terms of completions I think that is correct. What we have noticed, though, is that the growth that is occurring in applications and offers from low-SES students is faster growth than is occurring from the other 75 per cent.

Senator MASON: Non-SES, sure. At least it says something.

Mr Hazlehurst: So to the extent that the—

Senator Chris Evans: It is encouraging, Senator. If you talk to a vice-chancellor or people involved in the field, they are focused on it. The universities are looking to meet that objective, so they are quite active around the issue—and that has been my experience with all the universities.

Senator MASON: They probably want the money too, Minister.

Senator Chris Evans: I could not possibly comment, Senator.

Senator MASON: It is an early indicator, but it will take a while to get the completion rate.

Ms Paul: My view would be it is a very positive early indicator because historically that percentage had just been flat-lined. So to get any change at all is quite a significant thing.

Senator MASON: Ms Paul, you are really saying: but for these programs, those students would not have enrolled, and you would justify that by saying in fact it had flat-lined, and with the advent of these programs that has in fact been—

Ms Paul: Yes, I think they have had a direct impact.

Senator MASON: I understand. I follow. Can I just briefly mention equity funding? In terms of equity funding under the HEPPP, is it correct that table B providers—that is Bond University, Notre Dame and the Melbourne College of Divinity—are excluded from eligibility for equity funding?

Mr Hazlehurst: Yes, Senator.

Senator MASON: Why is that?

Mr Hazlehurst: The loading associated with the equity funding, participation loading, is connected with CGS funding. It is connected with Commonwealth supported places.

Senator MASON: Simple as that?

Mr Hazlehurst: Yes.

Ms Paul: It is a straight loading.

Senator MASON: Yes, it makes sense.

Ms Paul: As I said, this is the one that went from \$100 to \$1,000 or whatever it was. It was by a large order of magnitude. But it is just a loading on top of CGS per enrolment for EFTSL.

Senator MASON: One of those three institutions said to me they in fact are attempting to get low-SES students.

Ms Paul: That is good.

Senator MASON: I cannot take it any further than that, except to say that that also is a goal for one of them. It is as simple as that. That makes sense. We have got about 10 minutes before dinner. Can I just ask about compacts, if that is all right. What is the current legislative basis of compacts with universities?

Mr Hazlehurst: There is no current legislative basis for compacts with universities, Senator.

Senator MASON: But there will be shortly?

Mr Hazlehurst: Not for the compact itself. The bill that has just been introduced into parliament for implementing the demand driven system—I do not have the name of the bill at my fingertips, but I imagine you know the bill we are talking about—has a requirement for the signing of a compact in order to receive CGS funding in the future.

Senator MASON: It does. That actually gives it a sort of legislative standing, doesn't it? If you have to sign one, I would have thought that gives it a bit of a legislative standing, doesn't it—not that I am a very good lawyer, Mr Hazlehurst.

Ms Paul: If it is a legislative requirement, yes.

Senator Chris Evans: I was thinking more as an accountant.

Senator MASON: On the department's website it says this:

Universities will be rewarded for delivering outcomes for students through the performance funding arrangements. Facilitation funding of 400 million over four years is tied to agreement on strategies for achieving the university's teaching and learning mission an agreement to reward funding performance targets. Reward funding with 335 million over four years will be available from 2012 for universities that have met their agreed performance targets relating to national quality, participation and attainment objectives.

That is really relating, isn't it, to compacts?

Ms Paul: Yes.

Senator MASON: There is a tying-in framework.

Ms Paul: There is a tying-in, that is right, which Mr Hazlehurst can describe if you wish.

Senator MASON: Okay.

Mr Hazlehurst: One component of the compact is the performance funding socio-economic income learning.

Senator MASON: Indeed. So what sort of KPIs, key performance indicators, are there? How do you measure it?

Mr Hazlehurst: There are three categories of indicators that have been proposed in the framework for performance funding. The first is participation, and that includes the low-SES indicator that we were talking about before. Then participation from another under-represented group, and the universities have been able to choose another under-represented group. Many have chosen indigenous, but others have chosen other things. There are then two further categories of indicators which relate to student experience first, and teaching quality and learning outcomes is the third category. In respect of those two, they are the categories where we are doing further work, including with the sector, on the development of the instruments and the review of existing instruments. I can take you through all of them, if you like. It is up to you, Senator.

Senator MASON: No, it is all right.

Mr Hazlehurst: Very briefly, there is the course evaluation questionnaire that is undertaken through Graduate Careers Australia.

Senator MASON: Yes.

Mr Hazlehurst: There are indicators in there that are proposed to be used, but it is subject to a review that has been announced of the CEQ.

Senator MASON: This is common across the sector, isn't it?

Mr Hazlehurst: Yes.

Senator MASON: Back in my day they were all different. It is apples and oranges again, but it is going to be a common examination.

Mr Hazlehurst: Yes.

Senator MASON: Okay.

Mr Hazlehurst: There is also a survey that we are developing, which is the university experience survey, and there would be indicators drawn from that. There is the composite learning assessment tool, an assessment of generic skills, which has been developed and used widely in the US. We are proposing to adapt, trial and then use that tool here in Australia. Finally, there is what we have described as a composite indicator of teaching quality.

Senator MASON: Those are the ways that compacts will affect funding?

Mr Hazlehurst: Yes. In relation to teaching and learning, the only variable funding associated with the compact is in relation to the performance funding that we were just talking about.

Senator MASON: How has that been received by universities?

Mr Hazlehurst: Which part?

Senator MASON: The performance funding.

Mr Hazlehurst: The universities, as you know, have agreed to indicators in relation to the participation category. In relation to the others, they have publicly indicated their interest in working with the government to come up with the best possible indicators.

Senator MASON: I just detect some resistance to that, but I might be wrong.

Mr Hazlehurst: Measurement of these outcomes is a challenging task, but the universities are expressing considerable interest in working with the department on the further development of the instruments, particularly against the backdrop of them being measures that funding is attached to.

Senator MASON: I accept that, Mr Hazlehurst, and I am not—

Senator Chris Evans: And we have deliberately, Senator, not gone on with it with a big stick. It is about working through what is going to be a good long-term measure. Mr Hazlehurst has been using his diplomatic skills and we have been trying to work through the process because it is an important policy area, but I think there are legitimate arguments around the levers and making sure they are the appropriate ones.

Senator MASON: Sure, it is difficult. I had the very pleasurable experience the other day of discussing an analogous situation with Senator Carr in the context of ERA. In a sense they are analogous situations. You are trying, in a sense, to assess various quality and excellence in universities and, again, regarding ERA results—how do I put this?—I think it is fair to say there was some dispute about it. But it is dying down now. I think it is dying down, but there is still some. I only asked, Mr Hazlehurst, because I always hear this; there is always friction in the background. But I understand what the government is trying to do. Regarding the nature of compacts, does whether they are between the government and either regional or metropolitan universities make any difference, thus far? Is the nature of the compacts different?

Mr Hazlehurst: No, the fundamental nature of the compact is not different.

Senator MASON: You want to promote diversity, so I assume that there is elasticity in the arrangement.

Ms Paul: Compacts are a highly customised plan for each university, actually.

Senator MASON: That is my point: they are elastic.

Ms Paul: It does not actually matter whether it is regional or not; it is going to be absolutely specific to that institution.

Senator MASON: Indeed.

Mr Hazlehurst: Yes, so just building on what Ms Paul said, what I have said quite openly to anyone who has asked me, actually, is that the process of going around and having these conversations and agreeing on the documentation has revealed really quite striking differentiation between universities in terms of their strategies and positioning, if you like. As Ms Paul said, that is not just in relation to whether they are urban based or regional, but also to the particular nature of how they are positioning themselves in the market, if you like. So, for example, in Melbourne there are a number of universities that are city based, if you like, and they are all positioning themselves differently.

Senator MASON: In a different niche. How about with the private universities—Bond and Notre Dame: are you having compact arrangements with them?

Mr Hazlehurst: Yes.

Senator MASON: And are interim compacts now with every university? Have they been completed?

Mr Hazlehurst: There were interim compacts for 2010.

Senator MASON: Yes.

Mr Hazlehurst: The compacts that we have been negotiating will be signed shortly.

Senator MASON: When will they be publicly available?

Mr Hazlehurst: Mid year.

Senator MASON: So not long.

Proceedings suspended from 18:00 to 19:32

CHAIR: Thank you. I have just got a couple of questions about the Student Learning Entitlement. Can someone just explain to me the genesis of that policy and the policy rationale.

Mr Hazlehurst: Yes. The Student Learning Entitlement is a mechanism that has been around since 2005. It was introduced by the then government in that year and it is something that, as you are probably aware, is proposed to be removed in the bill that is currently before the parliament. It has just been introduced. But my colleague Mr Warburton can provide someone more background on the origins of it.

CHAIR: It started off as a five-year limit, didn't it?

Mr Warburton: Yes. It was in the Backing Australia's Future package. It was originally announced to be five years. There was proposed to be some extension where a student is undertaking an initial undergraduate course or pathway in which normal employment is no longer than five years and there was an idea that there would be a mechanism for getting additional SLEs so that you could return to study later on. Those details were not announced in the package. They were put out subsequently. I think it is fair to say that it was contentious and it went through a number of iterations.

CHAIR: Because it then ended up seven years, didn't it?

Mr Warburton: It ended up seven years. The details of the other components are in a set of guidelines that we put out—the Student Learning Entitlement guidelines—under the act.

CHAIR: And what was the policy rationale for its introduction?

Mr Warburton: Broadly, you had to look at the higher education policy framework at the time. This was introduced when the Commonwealth Grant Scheme came in and there were a limited number of allocated places, and so the idea was that you did not want students in those places for too long, they needed to be shared around so that you got an opportunity to get your degree, and if you took longer you would then get FEE-HELP. So also as part of the package there was a consolidation of loan programs and expansion of loan programs that assisted full-fee-paying students.

CHAIR: There then ended up being a number of different versions of the one policy, as I understand. There was ordinary, additional and lifelong learning entitlement.

Mr Warburton: That is correct.

CHAIR: How did they work?

Mr Warburton: The ordinary SLE is your standard seven years. There is then additional SLE. There are three different formulae for providing additional SLE. The first one is where the course load of the original undergraduate course of study you are doing, other than an honours course or a graduate entry bachelor degree course, is greater than six EFTSL and, where that is the case, you get additional SLE that is equal to your course load, plus one EFTSL, minus your seven ordinary EFTSL and minus any additional SLE that you already have.

Then there is the calculation for the additional SLE where you are enrolled in an honours course, a graduate entry bachelor degree course or a postgraduate course. The formula for that one is essentially the length of your course minus any additional SLE. The last one for additional SLE is where a higher education provider restructures a course while you are in it and effectively you get additional SLE for the additional length of the course while you are in that.

These are the circumstances in which a person has lifelong SLE: the guidelines set up dates from which you initially get one year of EFTSL and then annually afterwards you get an additional quarter of an EFTSL. So if on 1 January 2005 the person was aged 20 years or greater, the person begins accruing lifelong SLE on 1 January 2012 and every January after, and if on 1 January 2005 you were less than 20 years of age, you begin accruing lifelong SLE on 1 January of the year in which you turn 27. They are the dates where you get your initial one year lifelong EFTSL for the Student Learning Entitlement, and you get a quarter of an EFTSL for every year after. Does that make sense?

CHAIR: Mr Warburton, has anyone actually been able to ever work that out?

Mr Warburton: Yes, we work that out.

CHAIR: You work that out?

Mr Warburton: Not me personally.

CHAIR: All right. Does it take long to work it out?

Ms Paul: I am sure Mr Warburton only spoke for about three or four minutes, Senator.

CHAIR: How many people are impacted by this? Is it many?

Mr Warburton: All students wishing to be Commonwealth supported are affected, in the sense that you can only enrol in a unit of study if you have enough Student Learning Entitlement to enrol in that unit of study.

Mr Hazlehurst: So every student needs to have that check.

CHAIR: Every student—

Mr Hazlehurst: Has to be checked to see whether they have—

CHAIR: On one of those forms that says you can get the three versions of additional SLE or the lifelong SLE and you have to apply that test against every student. Who does that?

Mr Warburton: Universities do that.

CHAIR: Betcha they like that!

Mr Warburton: Under the Higher Education Support Act, one of the conditions of grant is that they participate in the administration of student entitlements and so they are meant to

ensure that the student has enough SLE before the student can be enrolled in that unit as a Commonwealth supported student, otherwise they are meant to be a full-fee-paying student.

There are some administrative difficulties we have in running that system, so the system within the department keeps a running tally of how much SLE students have used, because students can be enrolled at different universities, they can change universities, they can be enrolled at more than one university at a time, and there are lags in the submission of data from universities. So we have put in place a system where we try to send alerts to universities if a person is starting to get low on their SLE, but we rely very much on universities trying to track this, and I think it is fair to say they have some concerns about their ability to do it. It is very hard to automate the system, because it depends on those criteria I gave you before: is it your first course, an honours course and all the rest of it? They are qualitative characteristics, so it is very hard to automate the system to make it work for people, and the system is not real time. The way we administer higher ed is not like Centrelink entitlements where everybody can check in a computer at a point in time and know precisely what the story is. There are lags and transmission of data problems. I guess it is fair to say the student administrators at universities and some of the representative bodies of universities, whenever there are discussions about government red tape, raise this as a classic example where they are required to spend time.

CHAIR: Are you aware of the PhillipsKPA report in 2005 for the Australian Vice-Chancellors Committee? My understanding is that report said that the SLE does not provide additional funding for institutions, support for students or significant savings to the Commonwealth, but the associated implementation and reporting costs are substantial.

Mr Warburton: That is effectively what I was referring to before. I think the Productivity Commission has looked at government red tape at various times and I think that report may have been provided in that context. Over the years there have been a few of these.

CHAIR: Do we know what the actual costs to universities are? Has anyone been able to quantify that?

Mr Warburton: We cannot put a dollar figure on it. If you asked us what it cost us, we could not isolate the expenditure on it, and I do not believe universities could isolate their expenditure on it.

CHAIR: They seem to think that there would be considerable savings. My understanding is that Universities Australia's submission to the Productivity Commission said this:

There is ... no policy objective being served by the SLE, and there are considerable savings that can be achieved from its removal. As the first students subject to the new arrangements will shortly be exhausting their SLE, it is particularly timely to solve this issue now to avoid problematic decisions having to be taken regarding upcoming enrolments.

So they do not seem very happy at all about it and believe there are considerable savings to be made.

Mr Warburton: Often with these things you can put in an IT system, so you will have some initial capital expenditure and you will get rid of the ongoing costs, but, as I said earlier, this is a very difficult system for us to automate, so manual processing and manual checks need to be done on the department's side and within universities as well.

CHAIR: It certainly sounds like red tape and I think the former minister for education and now the Deputy Leader of the Opposition has actually called it the ‘ubiquitous issue of government red tape’ and she was planning to remove that. Was it a policy position of the previous government to remove it? Did they get to that point?

Ms Paul: I do not recall that. That was from Ms Bishop, was it?

CHAIR: Yes.

Ms Paul: I do not recall that quote.

CHAIR: A speech by Ms Bishop in July 2006 describing the SLE as ‘red tape’.

Ms Paul: I do not recollect it.

CHAIR: If the proposition was to make sure that people did not fill a space for a long period of time when there was a cap system, given that the new policy is to actually have uncapped places, what possible policy benefit could there be by keeping the SLE? Is there any?

Mr Hazlehurst: As you know, as part of the response to the Bradley review the government said that it would get rid of it, and that was in the context of the very point you are making about one element of that reform package being introduced in the demand driven system and uncapping of places. From time to time there are comments about people who are serial students, but the indications are that there really are not very many people who fall into the category of, if you like, being a serial student and it seems as though the administrative overhead for the government, but more particularly for the universities, is quite considerable.

CHAIR: Will increasing the length of the SLE assist that?

Mr Hazlehurst: The process of assessing whether someone still has entitlement left will still need to be carried out. It has the potential, obviously, to provide more SLE for students and that may mean, for example, students who do one degree and then perhaps a particularly long one as a second degree might have more SLE, but it will not reduce the administrative overhead associated with administering the system.

CHAIR: Thank you. Senator Mason, did you want to ask any questions about this?

Senator MASON: Yes. Under the government’s proposals under the HESA bill there is uncapping of undergraduate places from January 2012 and that is to be coupled with the abolition of the Student Learning Entitlement. All right? Therefore, there will be no limit on how many students can attend university. Right? Secondly, there will be no limit on how long undergraduate students can stay there. Correct? All courtesy of the taxpayer. No further questions. Thank you.

CHAIR: Senator Nash.

Senator NASH: VET FEE-HELP.

CHAIR: Have we concluded 3.1? If we have still got questions in 3.1 we should do them first—

Senator NASH: Sorry, you are still in 3.1, aren’t you?

CHAIR: and then we will move on.

Senator NASH: Yes. Sorry. I was jumping ahead.

CHAIR: That is all right.

Senator MASON: Well, no.

CHAIR: I think you were indicating you were finished, actually, Senator Mason.

Senator MASON: Yes, I had finished 3.1. I have got nothing on 3.6, but I am happy to go to 3.2.

Senator NASH: What if I do a couple of quick ones?

Senator MASON: Yes, sure.

[19:49 pm]

CHAIR: We have finished with 3.1. We have also finished with 3.6. We will now move to program 3.2.

Senator NASH: Thank you very much. How many people are currently on VET FEE-HELP?

Mr McAuslan: Senator, the number of students actually studying in the system obviously varies over time. During 2010 there were about 30,000 students who took out a loan under the VET FEE-HELP scheme and we would be expecting that that will steadily rise over time as the number of providers has risen.

Senator NASH: How many providers are currently approved?

Mr McAuslan: Eighty-nine.

Senator NASH: Has that risen over the last little while at all or is it a fairly static number?

Mr McAuslan: It has risen quite substantially in the last six months or so.

Senator NASH: Can you give me a rough ballpark figure of the increase?

Mr McAuslan: I have been in the job since October, so I can give you a pretty close number there. It has been about 40 since then.

Senator NASH: And the reason for that?

Mr McAuslan: I think there are a number of reasons. The biggest challenge with the scheme for providers relates to financial viability assessment, which takes some considerable time, particularly for providers who do not have a long history and who cannot provide us with evidence of their financial viability, so we do take a fair bit of time to get through that. There were quite a lot applications received last year and we managed to get through a substantial lot of those in the last quarter of last year.

Senator NASH: Do many get knocked back?

Mr McAuslan: Not a lot get knocked back, because there are a lot of people who start an application in our online application who then decide that VET FEE-HELP is not for them. With those people and with other providers that are considering taking on the scheme or being involved in the scheme, we are looking now at how we provide more information upfront to support providers, to assist them in that initial decision about whether they embark on the application, and also provide them with more assistance throughout that process.

Senator NASH: And if we were to look at the number of people who have benefited, say, in the last financial year, would that roughly equate to that 30,000 figure that you gave me?

Mr McAuslan: I think it would be more than that.

Senator NASH: Do you mind just taking that on notice?

Mr McAuslan: Sure.

Senator NASH: How much is actually budgeted for VET FEE-HELP in 2011-12?

Mr McAuslan: The nature of the scheme is that we make a payment to a provider on behalf of a student, who then gets a loan, so it is a reasonably open-ended arrangement.

Senator NASH: A moving feast.

Mr McAuslan: Not so much a moving feast, but it is very much demand driven.

Senator NASH: Thanks. Thanks, Chair.

CHAIR: Senator Mason.

Senator MASON: Thanks. Can I go to the issue, Minister and Ms Paul, about the budget measure to reduce the discount from 20 per cent to 10 per cent upfront HELP payments from 1 January next year.

Ms Paul: Sure.

Senator MASON: And also the voluntary repayment bonus reduction from 20 per cent to 5 per cent from 1 January next year.

Senator Chris Evans: If you get into the calculations of this, you will be here for a long time, and a calculator will not help. I have had the detail of this explained to me and it is not easy.

Senator MASON: All right. How about I just cite from my concern because of Chapman and I will ask some questions. I will not spend all night on this.

Senator Chris Evans: I am not trying to put you off. I am just saying some of it is quite complicated.

Senator MASON: It is highly complicated?

Senator Chris Evans: But the broad stuff is not.

Senator MASON: Perhaps paint me with the broad stuff. A bit of background, if I might. Professor Chapman, most of you would know, was instrumental in establishing HECS originally. He was recently quoted as saying:

... while the measure would probably raise money for the government in the short term, it was poor economics ... the 20 per cent discount represented the right 'implied' interest rate cost on HECS loans, and that reducing it effectively increased the taxpayer subsidy to students.

I am not saying you have to agree with Professor Chapman, but that is where I am coming from. Can I ask what modelling has been done regarding the impact of this savings measure on the likelihood of and changed incentive for students paying their HELP liability upfront?

Mr Warburton: We costed that measure on the usual accrual accounting basis, so that does take into consideration the various impacts that are expected. Savings are made from the reduction in the discount. Savings are made from the reduction in the bonus. They are effectively direct outlays that exist within the loan program; then the longer term costs of additional loans.

So Professor Chapman basically said some people will take loans and there is an implied subsidy in that because they are only indexed. That implied the accrual accounting framework takes that into account and all of those effects are in the costing.

Senator MASON: But have you modelled the possibility that many less students may pay their debt off?

Ms Paul: Yes.

Senator MASON: So that is modelled?

Ms Paul: Yes.

Mr Warburton: Yes.

Senator MASON: That is taken into account?

Ms Paul: That was taken into account.

Senator MASON: So that assumption has been taken into account?

Ms Paul: Yes.

Senator MASON: That is fine. Thank you. How many students is it expected will continue to pay upfront with the discount halved? What is the best estimate there?

Mr Warburton: Seventy-five thousand.

Senator MASON: What is the current number?

Mr Warburton: The 75,000 is our estimate for the first full calendar year that it will be in force, so that is 2012. We are going through a period of expansion in the number of Commonwealth supported places, so it is growing.

Senator MASON: Last calendar year how many people paid upfront?

Mr Hazlehurst: Can we turn it around the other way? I think that would be easier.

Senator MASON: As long as you do not confuse me, Mr Hazlehurst. I am easy to confuse!

Mr Hazlehurst: No, this will be much easier. In 2009, 80 per cent of supported students took a HECS-HELP loan; 17 per cent paid upfront fully; and three per cent were ineligible for HECS-HELP.

Senator MASON: And what is your assumption now?

Mr Hazlehurst: What has been assumed is that 50 per cent of the 17 per cent will continue to pay upfront.

Senator MASON: It was 80 per cent. Now you think it will drop to about 50 per cent? That is the assumption?

Mr Hazlehurst: No. Half of the 17 per cent will continue to pay upfront. Seventeen per cent in 2009 paid upfront and our estimate is that—

Senator MASON: Half of them will—

Mr Hazlehurst: half of them will continue to.

Senator MASON: I have now got you. Thank you, I follow that. Can I ask, who—we will be here all night. I was going to ask about who pays their HECS upfront and so forth, and married students, external students, regional students.

Ms Paul: I think the main point is probably the SES, the socio-economic impact. Obviously, to pay upfront you have to be a person with that amount of resource or you have

to come from a family with that amount of resource, so in a way the discount is an antiprogressive measure at any rate.

Senator Chris Evans: Can I just declare my personal interest and that of my chief financial officer. Both of us pay our children's fees upfront and therefore were adversely affected by this decision. I have not checked with him, but I will continue to pay it upfront. But, yes, it is because I have the capacity to reach that agreement with my son that if he passed, I would pay, on the basis that he had a quality public school high school education and I am well in front in terms of the cost of his education. But clearly a lot of students are from families that could not possibly pay that upfront.

Senator MASON: Sure. I appreciate that. I just note though—tell me if I am wrong, Mr Hazlehurst—that the way the department is determining SES status is by reference to the postcode data, which we have already discussed is a flawed measurement. Is that right?

Mr Hazlehurst: In fact, we have done the analysis both ways. It is about the same.

Senator MASON: It is about the same, is it?

Mr Hazlehurst: We have not done it by the Centrelink thing because that is actually a completely different exercise, but we have done it by the census collection district approach and the numbers are about the same.

Senator MASON: It is about the same, is it? All right. Is the student's permanent home address the postcode that has been used, or their residential address while studying?

Mr Hazlehurst: Permanent home address, I think.

Senator MASON: Permanent home address. Okay. Again this will be on notice and again, Ms Paul, I respect your judgment as to how this is done, but is it possible to provide the committee with a complete breakdown of the number and percentage of students who over time have chosen to pay their HECS or HELP loans upfront? Is that easily obtainable?

Ms Paul: I think it should be reasonably easily obtainable.

Senator Chris Evans: Senator, given the amount of questions and the huge detail we have taken on notice this time, I will be defending us if we do not meet the deadline. There is a lot of work involved in some of this stuff. I am happy to share the information, but—

Senator MASON: I appreciate that. I usually prefer the information, had I put this deadline, to be met rather than the question to be answered. But I rely on your judgment here. There has to be a certain amount of reciprocity.

Senator Chris Evans: I am not trying to be difficult—

Senator MASON: No, I understand.

Senator Chris Evans: but with the time and effort we put into it, I think it is best if we can access the data easily.

Senator MASON: Yes, if it is available for the collation of annual reports, that would be fine, but it may not be. It might be quite difficult.

Ms Paul: Thank you for that.

Senator MASON: I understand that. I am trying to work out how this new proposal works in practice. When students pay their HECS upfront, as the minister does, and receives a

discount, in effect what happens—and correct me if I am wrong—is that the government pays the amount of the discount directly to the relevant university. Is that right?

Mr Hazlehurst: Yes.

Senator MASON: So in the budget the upfront discounts are counted as an expense against the budget bottom line.

Mr Warburton: Yes.

Senator MASON: Whereas deferred loans are not counted as an expense in the budget. They are, in effect, added onto the Commonwealth's loan book, so the loans are an asset.

Mr Warburton: No, that is not quite right.

Senator MASON: Please explain.

Mr Warburton: The expenses associated with the loans are taken into account, and so there is budgeting for the debt that is not expected to be repaid, there is budgeting for the concessional loan discount—that is the difference between the CPI and the bond rate—and there is budgeting for the expenses associated with the bonus when people pay directly to the tax office.

Senator MASON: All right. Putting those exceptions aside—I can understand and follow them—otherwise deferred loans are not counted as an expense in the budget, are they?

Mr Warburton: Putting aside all of the costs, no, you are correct.

Senator MASON: So the fewer the students that pay upfront, the greater the savings to the budget bottom line.

Mr Griew: Yes, it has to be.

Mr Warburton: I think that is correct.

Senator MASON: Yes, I think it is.

Mr Warburton: I am just a little hesitant to rush in, because the accounting treatment of them is complex.

Senator MASON: If the number of students who choose to defer their HECS liability increases as a result of this savings measure—and we think it will—then while the bottom line of the budget might look better because of a reduction in what is regarded as expenditure by government accountants, the result for the taxpayer may be that we see HECS debts taking longer to be repaid and the amount of doubtful debt increase.

Mr Warburton: Not necessarily.

Senator MASON: Not necessarily, but it is a problem.

Mr Warburton: And all of those impacts are taken into account.

Mr Hazlehurst: The important point is, consistent with accrual budgeting principles, the savings that are reflected over the forward estimates take into account both the short-term and the long-term impacts.

Senator MASON: I understand that, and I have conceded that.

Ms Paul: That is the key point, though. The key point here is that the things which you have named have already been taken into account in coming to the bottom line in the forward estimates.

Senator MASON: But it changes the ratio. It has to.

Ms Paul: But those things, as I understand it, have been taken into account. We have assumed change. We have looked at the long term and reflected it back into the forward estimates. That is what Mr Hazlehurst is saying and that is really the critical point.

Senator MASON: Let me ask a direct question. If I am wrong, correct me. I am not an economist, but my understanding is that the fewer who pay upfront, the greater the savings to the budget bottom line.

Mr Warburton: Broadly, that is correct, because if you pay upfront you get the benefit of the discount. The discount is categorised as a personal benefit in the same way as other social security payments are. Although it is not directly given to the student, it is money given to the student because we are paying their fees. We do not actually give it to the student, we give it to the university, but they get an exact reduction in their liability associated with the upfront discount.

Mr Griew: But your assumption that the ratio of risk around the loan that is created changes would not necessarily follow. There is no particular reason why.

Senator MASON: This is very interesting.

Mr Griew: If anything, if they come from higher income families, you might think that it would not.

Senator MASON: I am not an economist, but this all makes sense to me and it does sort of change the complexion of the debate. Can we move on to doubtful debts. What amount of that accumulated HELP loan portfolio is expected not ever to be repaid? What have you assumed?

Mr Warburton: It is probably most easily answered by reference to the financial statements that were in our annual report, and I have the exact reference here for you. I just have to track it down. If you can find page 319 in our annual report—

Senator MASON: Yes. This gentleman in the fine jacket is lending me his.

Mr Warburton: Each year the actuary estimates the nominal value of the asset and then the fair value of the asset. That takes into account the debt not expected to be repaid, as well as the concessional loan discount. So the value of the asset on the Commonwealth's books is \$3.7 billion.

Senator MASON: I cannot read these things. Senator Nash, do you know how to read this thing?

Senator NASH: Quite possibly not.

Senator MASON: At the top, 'HECS-HELP loans, nominal value.' Is that right? And then, 'Less unexpired discount, less impairment and carrying value.' Am I looking at the wrong table?

Mr Warburton: No.

Senator MASON: So what figures do I have to add up or subtract? We have the nominal value, \$20 billion.

Senator BACK: Take away \$1.9 billion; take away \$4.7 billion.

Senator MASON: We minus that as well?

Senator BACK: Yes.

Senator MASON: So we go from \$20 billion down to \$13 billion.

Senator BACK: We end up with \$13 billion.

Senator MASON: All right. So it is about \$6½ billion or \$7 billion?

Mr Warburton: The reduction there covers both the Commonwealth's costs, because of the concessional loan, and the debt not expected to be repaid.

Senator MASON: Can you disaggregate those two figures?

Mr Storen: I am not an economist either. My explanation of the table on page 319 is that the total debt owed to the Commonwealth under the scheme at 30 June 2010 is \$20.4 billion—\$20.351 billion. The amount not expected to be repaid—previous accounting standards call it doubtful debt—is the line we call impairment, the \$4.7 billion.

Senator MASON: That is the \$4.7 billion?

Mr Storen: Yes. So if you take \$20.4 billion minus \$4.7 billion, it gives you \$15.6 billion or something like that. So \$15.6 billion is expected to be returned to the Commonwealth over a period of time. So what the accounting standard requires us to do is model that \$15.6 billion over time and discount it back to current year dollars, and that is what the \$1.9 billion reduction is. So that is the cost of collecting money over time. In accounting parlance, the fair value to the Commonwealth of the total loan is the \$13.7 billion.

Senator MASON: I see. It is close to \$2 billion. It is about 10 per cent of the \$20 billion, isn't it? We will have to do something about this, Minister! We will have to get more people to pay the money back. I know we all face that problem. I just do not know what the answer is.

Mr Warburton: It is absolutely implicit in the policy settings. This is an income contingent loan and people only repay the loan when their taxable income goes over a certain threshold. Some people end up raising children; some people get run over by buses and never repay the money. The money can never be written off until people have died, so it is always going to be the case that the debt not expected to be repaid in the stock of debt will increase, but it is budgeted for—

Senator MASON: Mr Warburton, I accept that. Ms Paul would know this. Ms Paul, if people go overseas—they go and live in London, they never come back to Australia and they earn a fortune as a merchant banker—they never have to repay the loan, do they?

Senator Chris Evans: That story is run every year.

Senator MASON: But is it true? I am just trying to get a picture, because—

Senator Chris Evans: As I understand it, if you leave the country and you are not paying income tax in Australia, that is right.

Senator MASON: Yes, that is what I thought.

Senator Chris Evans: It also true that those people who should be paying in Great Britain who come to Australia get to pay income tax here but they escape their liability in Great Britain. It is also true that this represents a very small percentage of those people with HECS debts. It is something that I do not think one can solve short of saying, 'You can't leave the

country until you've paid your HECS debt,' which I am not sure is something we would want to move to.

Senator MASON: We have complementary tax arrangements.

Senator Chris Evans: I am not saying there might not be policy responses, but I think you have to put it in perspective. Every year we get a big headline—and I will not use the journo's name because I like the chap—and it is a good story once a year. It happened when you were in government; it happens now we are in government.

Senator MASON: I accept that.

Senator Chris Evans: It is a great story, but overall HECS-HELP is a stunning success story. That is the reason why it survived under consecutive governments. If you go anywhere else in the world, they say to you, 'That's a fantastic scheme you've got.' So I suggest that we keep it in perspective when we start worrying about the one bloke who is now a millionaire living in Singapore who did not pay his debt.

Senator MASON: I accept that, but when it is about—

Senator Back interjecting—

Senator Chris Evans: If you have something to confess, Senator Back, you go right ahead. I am happy to tax you for it!

Senator BACK: There you go! It does allow me to ask, if I may, Senator Mason: what is the validation for actually removing a discount on early payment or payment of a discounted sum then on that basis?

Senator Chris Evans: I think we have just done that.

Senator BACK: Have you?

Ms Paul: Yes, I think we have.

Senator BACK: Is there a quick answer or not?

Senator Chris Evans: It is a saving.

Ms Paul: The bottom line is that the saving includes all assumptions about future events. That is really the bottom line. The second bottom line on doubtful debt is, as Mr Warburton just said, that it is an income contingent line. There are many people who never earn enough to pay it back.

Senator MASON: Let me get this right. Page 319 of the table refers to \$20.4 billion and \$1.9 billion. So is it right that a fraction under 10 per cent are expected to be bad debts in current dollars?

Mr Storen: No, the line below is the impairment, and that is doubtful debt as akin to bad debt. They both have specific meanings in the accounting world.

Senator MASON: Yes, all right. So what percentage is that then?

Mr Storen: Well, 4.7 over 20 is about 20 per cent.

Senator MASON: It is about 22 per cent or something. It is a lot. I am saying, Minister, that whether we are in government or you are in government, that is a lot. I think 22 per cent as a doubtful debt to the Commonwealth is a lot.

Mr Warburton: The people who repay their debts repay their debts, so the total goes down. What builds up in it are amounts for people who are not repaying their debts because they have low incomes. It is inherent in the way the scheme works. People who repay pay their debt off get out of there—out of the stock—if you understand what I mean.

Senator MASON: I do.

Mr Warburton: So over time you do get this build up of debt not expected to be repaid within the stock, and there is no accounting way of getting rid of it until we know which of the individuals are finally gone, so to speak, bless their souls, and the debt can be then removed.

Senator Chris Evans: But on that logic it would take about 40 or 50 years from the start of the scheme before you see any real impact of people dropping out of the debt list, in a sense.

Ms Paul: Yes.

Senator Chris Evans: So we probably will not get a better balance on that until we have had 70 or 80 years experience of the scheme.

Senator MASON: I might ask questions on notice, Ms Paul, about private hire education providers and fee help, if that is all right, because it will take up too much time.

Ms Paul: Yes, sure.

Senator MASON: I have just one last question on this. How are doubtful debts accounted for in terms of HELP loans and the budget? How are doubtful debts accounted for in terms of the budget?

Mr Warburton: I think the short answer is that they are fully expensed.

Senator MASON: All right.

Mr Storen: There is doubtful debt for the loan being incurred in that year, yes. So if the amount of loan being created in the year is \$1 billion, we would expense a doubtful debt component. Based on these figures, 20 per cent of the \$1 billion would be a \$200 million expense.

Senator MASON: All right, we will move on. I know we are running behind time.

CHAIR: Just before you move on, we have now received some documentation that was asked for from Comcare as a result of Senator Abetz's questions. That has now been received, so if I could just have a resolution we will table it. That is done, thank you. Back to you, Senator Mason.

Senator MASON: Can I now go to the Indigenous early childhood education centres, which is program 1.3.

Senator NASH: To assist Senator Mason, I did suggest that, given his time constraints, perhaps we could do 1.3, as I have carriage of all the rest of them. It might assist, if it is possible.

CHAIR: If that is possible, I think we should do that, and then you would effectively take us out for the rest of the night.

Senator Chris Evans: The incentive is to get rid of Senator Mason, is it? They seem to be motivated.

Ms Paul: In terms of the people that we have here, this is probably a question for Senator Nash at this stage then. Have we have finished with the higher education people?

Senator MASON: I have, Ms Paul, yes.

Ms Paul: So we have finished with HECS-HELP; we have finished with 3.2; we have finished with 3.1.

Senator MASON: What about 3.3?

Ms Paul: 3.3 are different people.

CHAIR: We will come back to 3.3 after you have done your 1.3.

Senator MASON: I have a few questions on notice, Ms Paul, yes.

Ms Paul: Of course. Thanks very much. That is great, because that means we can let the higher ed people go, and I appreciate that.

CHAIR: Senator Mason.

Senator MASON: Thank you, Chair. Can I go to the Indigenous early childhood education centres, which is an issue I think we have been running with for a while now. How many sites have been identified and agreed to in addition to the 25 out of the 38?

Ms Taylor: I have some numbers for you. Out of the 38 locations—do you want me to go through agreement or construction or—

Senator MASON: Just one second while I get a bit of paper out. Out of that 38 where are we?

Ms Taylor: Out of the 38 we have one completed. West Belconnen has been opened. Twenty-seven sites have been identified and agreed in consultation with the communities. Construction has also commenced in three locations: Bridgewater, Halls Creek and Whittlesea.

Senator MASON: Construction has commenced in those locations?

Ms Taylor: Yes. Construction is expected to commence in a further three locations by the end of this month and a further one next month. They are Doomadgee—

Senator MASON: So three by the end of the month?

Ms Taylor: By the end of June we are expecting construction to commence on Mornington Island—

Senator MASON: And one by the end of July. Is that right?

Ms Taylor: Yes. Doomadgee, Mornington Island and Fitzroy Crossing by the end of June, and Pukatja by the end of June too. I thought that was July, but we have been advised that it is the end of June.

Senator MASON: Construction has commenced at three?

Ms Taylor: Yes, and another four are expected by the end of this month. Sorry, I thought it was three.

Senator MASON: Four constructions to commence—

Ms Taylor: Expected to commence in four.

Senator MASON: Construction by the end of June?

Ms Taylor: Yes, by the end of this month.

Senator MASON: And then there is another one by the end of July?

Ms Taylor: No, sorry, I made a mistake.

Senator MASON: That is all right. So where are we? That is it? Any other progress?

Ms Taylor: Services are currently being provided in nine interim locations, with a further three services in interim locations expected to commence by the end of July this year.

Senator MASON: Plus three more?

Ms Taylor: Yes, so there will be a total of 13. That only makes 12, though. Nine and three made 12 when I went to school.

Ms Hosking: The additional one is the ACT site that has been completed and which is already delivering services from its permanent location.

Senator MASON: Anything else?

Ms Taylor: I think that is it.

Senator MASON: Ms Taylor, I went through your *Hansard* evidence over the last couple of years, and I suspect Ms Paul will know what I am about to do. I am about to recall the evidence. The original timetable for the roll-out was 16 to be opened—nothing about interim, opened—in 2010-11, 14 in 2011-12, three in 2012-13 and two in 2013-14. From the estimates of last year—that is, 2 June 2010—the committee was told that 16 centres would be opened—not interim premises, but opened—by 30 June 2011—that is, the end of this month. That is what we were told a year ago. Then at the October estimates last year we were told that 12 centres—so we have gone back here—would be opened by 30 June 2011. Then at the February estimates of this year we were told that two centres would be opened by 30 June 2011 and that 10 centres would be operating from interim premises. It is not a very happy timetable, is it?

Ms Taylor: The timetable for the centres, as advised at the last estimates in February, has varied by one, and that was the additional one that was going to be opened. By the end of the next financial year, 30 June 2012, it is expected that 22 will be opened.

Senator MASON: I do not mean to be cynical late on a Thursday night, but—

Senator Chris Evans: It seems like it, doesn't it?

Ms Paul: Wednesday.

Senator MASON: when I went through that evidence before from the department—and that is an accurate reflection. I am sure no-one would question what I am saying. That was the evidence. In fact, I had a conversation with Mr Cook on 2 June last year, so what is that—

Senator Chris Evans: No-one is contesting that it has been delayed. We are not contesting the evidence. There has been a delay, and the officers can take you through why.

Senator MASON: Let me rephrase that. I was simply reflecting what the evidence had been thus far.

Senator Chris Evans: Yes, sure.

Senator MASON: For a second let's put the timetable aside. What have the problems been? Clearly there are some issues here that perhaps I should know about.

Ms Paul: We have been through some of this before, of course, but some of the issues have been consultation with communities, some have been DA related, some have been site related and so on. I do not know if you want to go into more detail, Ms Taylor.

Ms Taylor: Certainly, as Ms Paul said—and I will get Ms Hosking to go through the detail—there are extensive consultations that are undertaken with communities with setting these up, and that has been a very long process that the states and territories have gone through with the communities. There have been issues around sites and planning approvals, making sure that they are located in the appropriate areas and that all of the approvals are received—and in some cases that does delay receiving all those approvals and documentation—making sure that any changes to the regulatory requirements are met in terms of the building requirements, bushfire zones and all of those sorts of things. So there are a number of issues that the states and territories have to negotiate their way through to get these to completion, and some have been protracted.

Senator MASON: Did the department foresee any of this?

Ms Taylor: It is difficult to foresee, if I can say, until you are actually in middle of some of these things, because communities raise issues that you would not have expected to be raised. There are issues with some of the sites, when you actually come to build on these sites, that may not have been foreseen at the time.

Senator Chris Evans: As you know, Mr Abbott has conceded now that the Northern Territory intervention would have benefited from greater community consultation before going in. I think everyone concedes that. I think there has been a need for a lot of community consultation here. It is always a little frustrating, the time that it sometimes takes Indigenous communities, and that has obviously had an impact on the program. You are quite right to indicate that there have been a series of delays. What I think the officers are saying to you is that it is progressing pretty well. There is a time frame slippage, but they have expectations now about completions.

If your point is that evidence given to you in earlier hearings about time frames has not been met, we have to say that is right. I understand the frustration about that, but the department is trying to do its best with the appropriate consultation, working with—

Senator MASON: I accept these issues are not—

Ms Paul: We are trying to get it right.

Senator MASON: Ms Paul, I accept that, and I appreciate your candour.

Ms Paul: And the change from the February estimates is one slower than we had said in February.

Senator MASON: Yes, it is more dramatic when we get into October last year or June last year.

Ms Paul: Sure, I accept that.

Senator MASON: Originally it was 16 to be opened by the end of the financial year 2010-11. That was the original, and 14 in 2011-12. So we have got one completed, which I think is West Belconnen here in the ACT, and we were supposed to have 16 opened in 2010-11.

Ms Paul: But we have the interim ones, and so on.

Senator MASON: Nothing about new premises opened.

Ms Paul: Yes, but these are services that are operating from interim premises, so we actually have the services happening. That is not a trivial point. We are delivering a service.

Senator MASON: No, it is not trivial, Ms Paul.

Ms Paul: We are delivering 13 altogether out of the 16 we predicted.

Senator MASON: It is an enormous gap from the original. In fact, the timetable related up until the October estimates of last year.

Ms Paul: But I am contending we have 13 operating. We predicted 16.

Senator MASON: We have interim services. Okay, one complete, that is true; we have interim services at 12.

Ms Paul: Yes.

Senator MASON: Construction has commenced in three or four? Four? There were 16 that had to be completed by 2010-11. So can I just ask, what is the new timetable? You did mention it before but it went straight over my head.

Ms Taylor: I do stress that these are our estimations and—

Senator MASON: Sure, timetables.

Ms Taylor: They are estimations.

Ms Paul: Best estimate.

Senator MASON: I understand, Ms Paul.

Ms Paul: How many variables are outside our control.

Ms Taylor: And they are based on the reports from the states and territories. There was one constructed by 30 June 2011, as we have said; 22 to be constructed by 30 June 2012; 13 to be constructed by 30 June 2013 and two to be constructed by 30 June 2014.

Senator MASON: Which is the end of the national partnership, isn't it?

Ms Taylor: That is the end of the national partnership and that is the due date by when they all have to be constructed.

Ms Paul: There are so many variables outside our control. In a way we kind of set ourselves up for disappointment and yet it is not in our control. We must rely on reports from state governments. These are our best efforts at relying on those reports and we just have to keep pushing. I am pleased to see services operating from interim premises where they can. That is certainly better than not having a service at all.

Senator MASON: How many staff are currently employed in connection with the centres?

Ms Taylor: Thirty-three staff have been employed across 20 of the locations.

Senator MASON: Of that 33, how many have been appointed at West Belconnen?

Ms Taylor: I think it is 12 at West Belconnen.

Senator MASON: So more than a third.

Ms Taylor: And staff recruitment is under way in 16 additional locations and training is under way in 11.

Senator MASON: You will probably have the pleasure of my company in October, I suspect.

Ms Taylor: I shall look forward to that.

Senator MASON: See you then. Thank you.

CHAIR: We will now revert—

Senator NASH: I have one under 1.3 too, unless you want to come—

CHAIR: No, keep going.

Senator NASH: I am happy to come back to this.

CHAIR: No, we might as well finish 1.3.

Senator NASH: I am happy either way.

CHAIR: Let's finish 1.3 and then we will come back to 1.1 and 1.2 later.

Senator NASH: I am in your hands. In relation to early childhood education, how many centres nationally are currently accredited?

Ms Hosking: Senator, we would like to clarify the question. Did you mean approved for child-care benefit purposes?

Senator NASH: Approved for childcare benefits.

Ms Hosking: Did you mean approved for the childcare—

Senator NASH: Sorry, yes. It has been a long day.

Ms Taylor: There are 14,075 childcare services as at the September quarter.

Senator NASH: How many are non-accredited?

Ms Taylor: I will have to check whether we have that information.

Ms Hosking: We would not ordinarily record in detail numbers of non-accredited services, because our relationship with the services is through the accreditation process.

Senator NASH: Yes, okay.

Ms Hosking: There are some budget based services that we fund directly in addition. There are about 340 of those. Other than that, I would not think we would have details of that.

Senator NASH: I accept that. That is fine. In terms of compliance, how many are currently noncompliant? Last time there were some pretty good statistics, but how many are currently noncompliant?

Mr Kimber: You are talking about in terms of those that may have received a sanction or something like that, are you? I just seek clarification about what you mean by noncompliant services?

Senator NASH: It is only that it received a sanction, or what is the process then to ensure that they do comply?

Mr Kimber: The department undertakes quite significant compliance operations to ensure that services are compliant under the act. That includes a series of profiling services to look at the information that they are reporting through CCMS. It also includes acting on tip-offs that we may receive from the public with regard to the operation of services. It also includes a series of visits that the department undertakes across services on an annual basis.

Senator NASH: Have any centres had their accreditation withdrawn over the last 12 months?

Mr Kimber: I will have to take that on notice. I am not aware.

Senator NASH: That is fine. I am happy for that to happen. Moving on to the staffing, as I understand it there is a fairly widely recognised shortage of early childhood teachers. From the department's perspective, over the next couple of years are we going to have enough supply to meet the demand?

Ms Taylor: In the most recent data, which will come out shortly, in long day care the story is much better than you may anticipate. About 80 per cent of workers in long day care have a Certificate III and above. In addition to that there are a number of measures that the government has already put in place and a number in this budget that go to lifting the number of qualified people in the sector. The first measure in this budget was the recognition of prior learning, so there is training for 600 assessors in recognition of prior learning, plus grants.

Senator NASH: So this is in terms of the national quality framework, the requirement that is going to be at that point in time—

Ms Taylor: Yes, but overall it will certainly lift the ability of people to be qualified. That recognition of prior learning is Certificate III diploma and advanced diploma. There are also grants of up to \$1,125 for workers in regional and remote areas to be able to access recognition of prior learning. There are a number of previous initiatives, such as TAFE fee waivers, to encourage people to take up qualifications in the TAFE sector, and that ranges from Certificate III to diploma and advanced diploma. We have some exact numbers on all of the various sectors and the numbers of child-care workers who have a qualification. Those numbers are increasing. If you would like those numbers, I can take that on notice.

Senator NASH: That would be really useful. Just in relation to the recognition of prior learning, where the circumstances you gave were Cert III diploma or advanced diploma, is there going to be a recognition of prior learning that is not related to a qualification? What I am getting at is that sort of field qualification where you might have had somebody working within the industry for 20 years and have a lot of that practical experience.

Ms Taylor: That is exactly what it is.

Senator NASH: It will be that as well?

Ms Taylor: Yes, what happens is that with the recognition of prior learning there is an assessment. Say, for example, you have a child-care worker who has 10 or 20 years experience but no qualification; to enable them to get a qualification there is an assessment done of the value of that experience as against the competencies that are in a Certificate III or diploma and advanced diploma. There is a mapping. That assessment is done by the trained assessor, who actually says, 'You have these competencies because you've worked in the industry for quite a long period of time.' You may have to do one module or you might have to do two modules to get your Certificate III. That is what the assessment is about; it is to give recognition and value to the experience that these people have.

Senator NASH: In terms of the requirement for the skill level and the qualifications, what is the department doing about people acquiring those extra skills they are going to need in regional areas where that might not be as easily accessible as it is in the metropolitan areas?

Ms Taylor: That is the grant of up to \$1,125 per person to assist with the additional costs that a person in a regional or remote location may have in accessing that assessment. For example, if you had to travel to an assessment place, to a TAFE or wherever the assessor is, any out-of-pocket expenses will be assisted by that.

Senator NASH: But that is only up to that \$1,100?

Ms Taylor: It is up to \$1,125.

Senator NASH: Can you just give me a bit of a snapshot example of somebody who is going to have to upskill and do X amount? I am trying to get a sense of how much time and how many individual days they are going to have. I understand it will vary, but how many individual days? What I am trying to understand is, if you have \$1,100 but you have a 500-kilometre round trip, that is not going to be very many days. I am trying to get a sense of how this is going to work.

Ms Taylor: It is very difficult to say, because it depends on how many competencies you would be recognised for. It also depends on the method of learning that the particular institution may have. You may be able to do some of these by distance learning, for example.

Senator NASH: So online distance ed may well be able to be—

Ms Taylor: It depends on the institution who's providing the course and their methods of learning. There are a number who have distance and there are other methods of doing that. It does depend on the number of modules and the time that you take to complete those modules or competencies. Again, there is no set thing to say, certainly in some courses, you need to take five days to do all of these competencies. You might need two modules here and that might take you an afternoon. You might be able to do those two modules by distance education or you may be able to do it in another way, or you may have to attend. There may be some circumstances where you do have to attend.

Senator NASH: Would you envisage there would be some flexibility within the department as this rolls out? As you say, it is obviously not clear how much assistance we are going to need for upskilling for some of these staff. If there are going to be situations whereby the financial requirement is going to be much greater than envisaged and there is no option, will there be some flexibility within the department to look at perhaps extenuating circumstances? Has that been considered at all?

Ms Taylor: We do not have extenuating circumstances within the thinking at the moment around those grants. I would imagine the department would consider the issues as they arise.

Senator NASH: As they arise, okay.

Ms Paul: The costing was done on the basis of what we think is reasonable and will be needed. Of course, if there is some clear evidence we are always interested in feedback like that.

Senator NASH: Just finally, in terms of staff turnover within the industry at the moment, are there any sort of clear figures on turnover of staff?

Ms Taylor: Yes, there are.

Ms Hosking: In relation to childcare workers, the proportion of childcare workers leaving the occupation and needing to be replaced is 15.7 per cent annually and in relation to early childhood teachers, degree qualified teachers, the vacancy rate is 8.9 per cent annually.

Senator NASH: Comparative to previous years figures, are they fairly static? Have they increased or decreased at all?

Ms Hosking: I do not have that data with me.

Senator NASH: That is all right. You can take it on notice.

Ms Hosking: I do not believe they would have changed considerably.

Senator NASH: If you take it on notice and just give us the comparative figures, that would be useful. Thanks, Chair.

[20:45]

CHAIR: That concludes questions in 1.3 and we will now return to the program, which is 3.3. Who wants to kick off?

Senator NASH: Thanks, Chair.

CHAIR: Are you happy for Senator Fielding, or do you want to go first?

Senator NASH: No, I am happy. How long, Steve?

Senator FIELDING: Five or 10 minutes.

CHAIR: We will just wait for the officers. All right, thank you, Senator Fielding.

Senator FIELDING: Thanks, Chair. I want to ask some questions about what I think has been dubbed the independent student income review. I do not know whether that is the official title.

Ms Milliken: Absolutely right.

Senator FIELDING: Are the terms of reference that were put out still the same? Are they on the website at all?

Ms Milliken: Yes, they are.

Senator FIELDING: I was interested to know whether the review would look at student income for kids going to university. Will it make any comparisons to income support that other countries within the OECD provide their kids going to university?

Senator Chris Evans: I am not sure that it is necessarily.

Ms Parker: No, it is not part of the terms of reference.

Ms Paul: The terms of reference is more looking at the names within Australia. Perhaps I will ask my colleagues to go through those.

Ms Parker: The review is, as Ms Paul said, focused on Australia, particularly focusing on the impact on rural and regional students in terms of student income support and whether the objectives of the reforms have been achieved, particularly in regard to students from low socioeconomic backgrounds. It aimed to make recommendations for any changes that would assist in achieving those objectives, options for new youth allowance eligibility arrangements which remove regional eligibility distinctions from 1 January 2012. The recommendations were to be considered within budget constraints and savings that could be made to pay for any changes that were recommended to assist students who need it the most.

Senator Chris Evans: I had a conversation with Professor Lee Dow about a week or so ago. He came in and saw me, just to tell me how he was going. He did talk to me about alternative systems in, I think, Canada and the UK. As you know, he is a bit of an expert in

this field. He is doing some work for the current Victorian government as well, so if it is not in his report he will know about it. I can get him to brief you, if you like. Maybe if you go to what you are interested in, we will see if we can help.

Senator FIELDING: It came up during some inquiries into youth allowance that there were some statements and one of the submissions said that Australia has one of the lowest income supports for kids going to university within the OECD. It surprised me, and it would surprise a lot of Australians, to hear that. Here is a good opportunity for you to look at that at the same time, because that goes to the general question of how much support. It would fit in with some of the terms of reference for me.

Ms Paul: I might make a general comment. In a way it goes to the discussion we had a little while ago on higher education. One of the reasons for that is that most other countries do not have a HECS-HELP type system. In this country kids going to higher education of course can defer the cost of that education through HECS-HELP until they finish, and only after they earn over a certain amount of money—\$40,000-plus—do they have to repay. In many other countries that might appear to have a more generous income support system, one of the factors there is that the kids are having to pay all those fees for their education upfront. There is no deferred loan system and there is no income contingent loan arrangement.

It is indeed very interesting to look at all that, but it is a bit hard to get apples with apples. I know this because when you talk with other countries, particularly European—which OECD tends to focus on—they always say, ‘Tell us more about HECS-HELP. Fantastic idea.’ The UK has kind of adopted it and it is very highly regarded but that is one of the reasons why there is this differential between different countries. There would be other reasons too, of course, but that is one of them. So it is actually a bit hard to compare.

Senator FIELDING: Could you look at providing some sort of table, because it is an important issue just generally that could be covered while you are doing that—

Ms Paul: Sure, we certainly can. We can draw out those kinds of structural elements in a couple of different systems, if you like.

Senator FIELDING: The minister may be able to handle this one. The words ‘eliminating regional eligibility distinctions’ with effect from 2012, what does that actually mean and what options are on the table in that regard?

Senator Chris Evans: The history of this is that when the government sought to introduce these new youth allowance measures, the reforms, there was a compromise reached which allowed a transition for inner regional and maintenance of certain conditions for outer regional which were not originally envisaged by the government. As part of the parliamentary process those concessions were made to stick with some of the old provisions about pathways to independent allowance. The officers can take you through more detail if you want, but effectively that was part of the concessions made as part of the parliamentary process. One of the things that did is, it had a different set of rules that applied to inner regional resident students and outer regional and remote.

One of the issues that has been in the debate since then is about whether that distinction is appropriate. Quite frankly, because of the whole problem about mapping and defining regional areas, there are a couple of Swiss cheese holes where towns were included clearly inappropriately. But when you choose a measure, the measure is never perfect. As you know,

we always have this debate about what is regional and what is not regional. As a result of that, the government agreed to bring the review forward by a year and undertook to remove the distinction between inner regional and outer regional. Professor Lee Dow's work is to try and achieve those objectives or come up with solutions or options for achieving those objectives, as well as reviewing the impact of the youth allowance changes.

That report will come to government by the end of June, and we have undertaken to bring legislation into the parliament responding to that report in the second half of the year, so any changes that the parliament might agree would apply from 1 January next year.

Senator FIELDING: Thanks for that. I appreciate that but there is still genuine concern about whether this is code for sort of taking away what was added back a bit from there. I suppose you are not going to answer that really anyway. There is genuine concern out there. Extra money is going to go in, and that is the reason I was asking you about what level of income support Australia provides. It seems to me that we are maybe not in line with community expectations.

Senator Chris Evans: What has become clear, though, is that the youth allowance changes made—the reforms—have seen more young people accessing youth allowance—many more—and that is in metropolitan and in regional and rural Australia. So the reforms are seeing more people access the allowance and more people access the new relocation scholarships and start-up scholarships that the government brought in. In fact, the cost of youth allowance to the Commonwealth has gone up significantly because there is much greater access to that youth allowance. We have just done a year-on-year comparison, end of March to end of March last year, which reflects that enormous growth in youth allowance access. We say the reforms have been very successful in supporting access to university for metropolitan and for rural and regional students. That fact is also reflected in the enrolment of students from rural and regional areas, which has increased. There are more people from rural and regional areas going to university and there are more of them getting youth allowance. That is what the figures at the end of March show.

Obviously Professor Lee Dow will deal with that information and the consultation processes he has had. He has had a number of forums in all the states, talking to people—stakeholders, parents and others interested in the issue. He has been going around doing his task and no doubt he will try and bring all that together in a way that provides a good report for the parliament to consider options.

Senator FIELDING: It is good that you have Professor Dow going out to regional areas and allowing families to share how they are feeling about it. One of the issues was that to work 30 hours a week for 18 months before they can receive income support is definitely proving a problem and a real challenge to families.

Senator Chris Evans: I think there is a misapprehension or something here, because people have the mindset that it is all about how you qualify for independent youth allowance; the mindset being you have to pass these rules or arrange your affairs in this way to get access to independent youth allowance. What the changes fundamentally did is to say the new system will work on the basis of equity and access according to income, and family income. We have seen a large growth in the number of dependent students as less have sought to go through the independent route. The people who are accessing the scheme now are those from families more in need. The numbers of people who are on \$15,000 or \$200,000 or \$300,000 a

year are no longer accessing the scheme but those young people from families on lower incomes are.

The reason they are doing it is that the pathway for the dependent rate has grown. There are more people coming for that rate. The old system relied on you having to prove you were independent in order to get access. The dominant access route now is not that independent pathway, so you do not have to go and organise your affairs. If you fall within the income threshold, you do not have to go and do your 30 hours and take 18 months off and meet all those criteria, because you can qualify under the dependent rate.

There is a bit of a mindset here that still focuses on the old rules and what we are seeing is more people coming through the dependent pathway, because more people are eligible because they are from families whose incomes are not at the higher levels.

Ms Paul: And of course the eligibility rules at that end have been extended, so there are more families still on—family income has been extended, students are allowed to earn more and so on, for a whole range of reasons. Nothing stayed static. There was quite a bit of expansion. For a whole range of reasons we are seeing these results like a 50 per cent increase in dependent youth allowance recipients from rural and regional areas in higher education and so on—25 per cent et cetera. There have been a range of increases right across the board.

Senator FIELDING: I hear those good points and I am not discounting those at all but it still does not really address the fact there are some families that will struggle with their kids from an independent point of view. It is just a fact.

Senator Chris Evans: That may be the case, but we have drawn up a set of policies, as we do in the social security area, which seeks to give greater access to those from lower income families and those more in need. That is the way the system works now. We think we have a fairer system and one which is actually supporting the kids who most need the support; and not only that but, now the system has grown, the number who are eligible. So we have many more eligible, many more accessing youth allowance than before, many more kids being helped, families being supported, and more kids going to universities. So I would have to say to you that is a pretty good result if you are trying to assess whether something is working or not. I think you have to look at it in terms of what the outcomes have been.

As I say, I think there is this mind set about independence and that independence path that is a bit of an old mind set and the current system is really designed to try to assist those who most need the support. In my view, the results of that are pretty good.

Senator FIELDING: Obviously I am not going to be here to debate the report when it comes out from there, but I still believe we should be putting a lot more into our kids getting to university, not less. Notwithstanding some of the points that you have made, there are still some that will miss out. But I hear what you are saying as well.

Ms Paul: There is more. Yes, there is a lot more.

Senator Chris Evans: There is \$5 billion more going into university education. That is a lot more.

Ms Paul: And more of these students than ever before are being supported through youth allowance. There are just many more young people receiving youth allowance for university than there were before because of these changes. The numbers are growing, just in absolute terms.

Senator FIELDING: I think it will be hotly debated when the report comes out. Thanks, Chair.

Senator Chris Evans: Hopefully, it will be debated on the basis of fact.

CHAIR: Senator Nash.

Senator NASH: Thanks very much, Chair. Can I take the opportunity to commend Senator Fielding for his interest in and work on this. I note that he will not be here for the next lot of estimates.

Senator Chris Evans: That is the upside!

Senator NASH: Not necessarily, Minister. But I do sincerely note the interest and work Senator Fielding has done in this area. Can I start with an answer to a question on notice that you gave; it was actually the inquiry into social security amendment bill and it was question No. S1HH_7. You very kindly gave me the breakdown of the data of students livings in regional areas accessing independent youth allowance and broke it down into the ASGC regions. It came with a selection of criteria for how they would actually access that independent youth allowance. I was hoping it might be possible to get a breakdown in each of the regions for each of those criteria: workforce participation; independence; and living in a de facto relationship. Is that possible?

Ms Parker: Yes, we can provide that.

Senator NASH: Fantastic. Did you want to just table it rather than read it?

Ms Paul: We are happy to table it.

Senator Chris Evans: If you have it, yes.

Senator NASH: Great, thank you.

Senator Chris Evans: I have not seen that level of granularity; that level of detail, I think.

Senator NASH: Thank you very much. I want to run through some of the figures. There have been a couple of releases over the recent weeks about the increases in the figures that you have referred to, Minister. There was a joint release from the Prime Minister and the minister on 23 May. In that there were a couple of statistics, one that dependent university students from disadvantaged backgrounds receiving the maximum youth allowance rate had increased by 108 percent. Do we actually have the number of students that relate to that 108 percent?

Ms Paul: Sure, we should be able to get that for you. We will see if we can pull that out. We have numbers everywhere, of course, so bear with us for a minute.

Senator Chris Evans: There are the subsets of youth allowance, then the higher education allowance, then the independent, regional.

Senator NASH: I can tell you, Minister, the complexity of this issue.

Senator Chris Evans: Now you have asked about whether they are married or dependents, et cetera.

Senator NASH: Absolutely. The complexity of this issue has not escaped me over the period of time. If it is not easily accessible, I am happy for you to take it on notice. Perhaps it is something you could come back with reasonably quickly, just the figure for that. Also in

that same release, there was a percentage figure again for rural and regional university students receiving youth allowance of 22 per cent.

Ms Parker: We have the earlier figure.

Senator NASH: You have that? Great.

Ms Parker: Sorry to interrupt.

Ms Milliken: The 108 per cent figure, in terms of dependent higher education youth allowance recipients eligible for the maximum payment, was 11,592 increase from March 2010 to March 2011.

Senator NASH: What was the figure before, and the figure after?

Ms Milliken: The figure before, in 2010, was 10,687. The figure in 2011 was 22,279.

Senator NASH: Great. The rural and regional was the same, 22 per cent increase?

Ms Paul: Yes.

Ms Milliken: The 22 per cent relates to an increase of 6,425 in the number of students from regional; so it is inner, outer, remote and very remote. It was an increase from 28,875 in March 2010 to 35,300 in March 2011.

Senator NASH: Thank you very much. Can I now turn to the minister's release of today and the figures. I think you were just discussing some of those with Senator Fielding. I should say the timing of this release is interesting, Minister.

Senator Chris Evans: I wanted it out last week.

Senator NASH: Did you?

Senator Chris Evans: When we did the thing with the Prime Minister.

Senator NASH: That is interesting.

Senator Chris Evans: I wanted it out before estimates, too. I wanted the comparison because I thought when we went through this it would be nice to get some facts on the table, rather than just assertions.

Senator NASH: Absolutely. It is curious.

Senator Chris Evans: I knew you would appreciate that.

Senator NASH: Absolutely. I just wondered if it might have been a pre-emptive strike before this evening. It was interesting: this morning, not yesterday, not last week.

Senator Chris Evans: I think we did it last week as well. I was just trying to get the message out.

Senator NASH: Did you? Not this particular one. It is quite curious. In November too we had a release from you the very day of estimates. I think it was relating to the taskforce for the Rural Tertiary Hardship Fund; which was also curious. It came out on the day of the estimates.

Ms Paul: No, that came in earlier.

Senator NASH: No, it came the night before, very late the night before we discussed it in estimates the next day. But anyway, that is by the bye. We have the figures now. Can I firstly ask how the analysis of those figures was done?

Ms Milliken: We extracted data for the end of March 2010, which was before the changes, and for the end of March 2011, and it is simply a comparison of those two figures by the ARIA calculations, and it is Centrelink administrative data.

Senator NASH: Yes. What is the total cost that applies to the department for the 4,250 inner regional students?

Ms Milliken: The total cost?

Senator NASH: All of those students are now receiving youth allowance that they did not before, so when you add that up, what was the total cost of the 4,250?

Ms Paul: I do not think we were pulling out cost. We were pulling out numbers. We would have to take that on notice to work that out. Is that okay?

Senator NASH: Yes, that is fine. I am happy for you to take it on notice.

Ms Paul: We will have to make a few assumptions, obviously, but we can try.

Senator Chris Evans: The increase would show up in the budget papers, although it would not be broken down. It would just be total youth allowance.

Ms Paul: It would be a total youth allowance figure.

Ms Milliken: And it would be a mix of students receiving the maximum rate and receiving a part rate. Some would be eligible for Relocation Scholarships, some would not because they had not relocated, or would be eligible for a Start-up Scholarship, of course.

Senator NASH: So could I have—because it might be useful and just on that basis of the maximum rate and the part rate and, as I say, I am very happy for you to take this on notice—the total cost to government that applies to the 4,250 in inner regional; the total cost that applies to the 2,150 outer regional and remote; and do I assume—I know the release only said outer regional and remote, but does that include very remote as well?

Ms Milliken: Yes, it does.

Senator NASH: All right, so the total cost for outer regional, remote and very remote. And then if you could break them down for me, Ms Milliken, on the issue we were talking about, the maximum rate and the part rate: in each of those amounts, could you break down for me the students that are receiving less than \$100 a fortnight youth allowance; students that are receiving in the bracket of \$100 to \$200 a fortnight; students that are receiving in the bracket of \$200 to \$300 a fortnight; and a bracket of those that are receiving more than \$300.

Ms Paul: I am happy to take this on notice. Basically the constraint will be how Centrelink administrative data is able to be accessed and I am not sure about that. We will absolutely take it on notice and go away to Centrelink and have a go, but it is not necessarily the case that we will be able to track every single one of these particular students to find out exactly how much they are receiving; but we will do our best and see what we can find out for you.

Senator Chris Evans: What we do know is that the number of people receiving the maximum has increased by about 36 per cent and, as a proportion, it is larger, but I do not have the breakdown in the terms of \$100, \$200 categories.

Senator NASH: Sorry, just to be clear, are you saying that 36 per cent of the 7,400 students are getting the maximum rate?

Senator Chris Evans: I will get the officers to take you through it, but the figure I have is that in higher ed, dependent students receiving the maximum youth allowance payment under the parental income test or exempt from the parental income test increased by 36 per cent to 15,000.

Senator NASH: We can move on to that in a while, if you like, but at the moment I specifically want to do these 7,000.

Senator Chris Evans: I thought you were interested in the numbers who were on full or part, that is all, and I had a figure for full.

Senator NASH: I am, but at this point only as it applies to this cohort of 7,400 students.

Ms Paul: We will see what we can find out for you.

Ms Milliken: Can I also clarify that the difference is a numerical difference, it is not an individual student difference. We are not able to identify the 7,000 students, by individual name, who are the difference. We are comparing figures of recipients, total numbers. We are comparing data rather than individuals when we say, 'In March 2010 there were this many. In March 2011, there were this many.'

Ms Paul: Yes. Therefore you will not be able to tell out of that 4,250—that is just a sum, from here to here and there to there. What we might be able to pull out for you, in part and full rate, is the trends, like the minister has just said. Basically, there is a trend of an increase towards max rate.

Senator NASH: If you have a trend, though, isn't somebody, somewhere working on the base data?

Ms Paul: Yes, but whether they are these particular 4,250, which is only—it is a bit hard to explain. It is the net difference.

Senator NASH: Okay. So if I want to find out, out of those 4,250 students that you said are now receiving dependent youth allowance that were not before—you mentioned some were on a maximum rate and some were on a part rate—how do we find that detail?

Senator Chris Evans: It is not that they were not receiving it before. The numbers receiving it at that point in time are increased from the number who were receiving it at the previous point in time, I think is the point the secretary is trying to make.

Senator NASH: Did you want to say that again, Minister?

Senator Chris Evans: The secretary had a go at it and I have had a go at it. I guess what we are saying is this is a measure that on 31 March 2010 this many people were getting this allowance. A year later at that point in time this many people were getting this allowance. They are not necessarily the same people, it is just the total cohort. Some of those people who are getting it in 2010 graduated, dropped out, left, whatever.

Senator NASH: Yes, I understand.

Senator Chris Evans: All we know is who we are paying on 31 March is that number of people, on the basis of those qualities, as it were.

Senator NASH: No, I understand that they are not necessarily that same students.

Ms Paul: Yes.

Senator NASH: But of this cohort right here and now, I am trying to get a sense of—

Ms Paul: That we can do.

Senator NASH: Yes, this cohort right here and now.

Ms Paul: Not the net difference but the current cohort; yes, we can do it.

Senator NASH: It might be easier if you frame it this way: of those students receiving dependent youth allowance this year, that were not receiving it last year, what of those are on the maximum rate and what are not?

Ms Paul: It is probably that the most straightforward thing to do is simply to look at the current cohort and to look at what the splits are, and to compare that with the previous cohort and say what the splits are. That will give a sense of what you want.

Senator NASH: Yes, I understand but I am not sure it will completely, because what I am trying to understand is exactly those amounts that those inner regional students, the 4,250—the number of inner regional students receiving a youth allowance payment has risen by 4,250. I accept they might not be the same students but when the minister is saying, as he did earlier to Senator Fielding and has said today, that that shows the improvement, what we need to be able to ascertain as this committee is part and full.

Ms Paul: Yes, that is right. We will divide it.

Senator NASH: Because if it is only a part rate, then obviously it is not going to be the same rate as a student would have got under independent youth allowance, which is the full rate. That is what I am trying to work out.

Senator Chris Evans: That is why I said to you, when you raised that, that in fact in a global sense we know that the numbers on the maximum youth rate have increased by 36 per cent or 15,000. You are asking us to break that down out of the 4,250. If the officers can do that, they will.

Senator NASH: Into the region; absolutely. I would imagine that that information must be somewhere.

Ms Paul: Yes, it is fine. We will compare cohort to cohort. We will try to put those definitions around it. What the minister is saying is that, in the broad trend, max rate proportion has gone up. We will look at the regional split. Yes, we will do that. We can do that for you.

Senator NASH: Excellent, that is great. Thank you very much.

Ms Paul: No worries.

Senator NASH: Sorry it was so torturous.

Ms Paul: No, I am sorry too. It is a complex matter, obviously.

Senator NASH: Because we need to be very clear about what those rates are going to be, given the minister's assertion of the improvement.

Ms Paul: Yes.

Senator Chris Evans: I am not asserting anything. I am giving you official data. I am just telling you what the data is and what it shows, so let us not call it assertion, please. There are departmental figures collected in the same way they have been collected before.

Senator NASH: No, I understand that, Minister, and I am only raising it in the context of the inability for students in the inner regional areas to be able to access independent youth

allowance in the full rate. While I know you referred to it as a mind set, when you look at comparative figures of, say, a student whose parents are collectively on \$85,000, the dependent rate for the one university student away from home is only \$8,959, which drops to \$5,959 in the second year, compared to \$13,099 on the independent rate. So it is very important we actually—

Senator Chris Evans: Plus the Start-up Scholarship or the Relocation Scholarship.

Senator NASH: No, that includes the Start-up Scholarship, the Relocation Scholarship and rent assistance. So for those types of figures we need to be very clear that it is not necessarily a swap with the increased number for dependent youth allowance that has replaced the same amount as independent.

Senator Chris Evans: No, but I think you will find that there are slight increases in the independent youth allowance but very large growth in the dependent youth allowance.

Senator NASH: True, but there has also been—

Senator Chris Evans: The youth allowance has not collapsed. The independent youth allowance rates have not collapsed. I think they have had smaller increases, but the big increases are in the dependent. That is right, because the system has encouraged a different response.

Senator NASH: I think that the collapse will be with those students who finished year 12 in 2009 and last year in 2010, because of the two-year deferment. They simply, under the current arrangements, cannot possibly have accessed it yet. So they are stuck with that.

Ms Paul: No, next year I suppose, or the year after; but in this year from March to March we have seen increases right across the board.

Senator Chris Evans: We have more kids going to university from regional areas and we have more kids on youth allowance, so it is hard to see where this collapse has occurred.

Senator NASH: I think the collapse has occurred because more kids might be on youth allowance but it might be such a small rate that, compared to what they would have got under independent youth allowance, it simply does not stack up.

Senator Chris Evans: I think you will find that is not right, and we will give you the figures.

Senator NASH: I think you will find it is.

Ms Paul: We will give you the figures.

Senator NASH: You only have to look at figures that I have just quoted you, Minister, where you are going to have circumstances where that is absolutely going to occur.

Senator Chris Evans: Senator, quite frankly you are clutching at straws. Look at the figures, read them, take an honest appraisal of the figures. Do not try to interpret this as a last straw because you have a case you want to keep supporting. Read the figures. If you have a problem after the figures, I am happy to talk to you about it.

Senator NASH: Okay.

Senator Chris Evans: Deal with them honestly.

Senator NASH: Yes. It is not clutching at straws, Minister, and if you think that is the case, then you have not listened to any of these regional students that have been trying to tell

you what difficulty they are in. The National Union of Students is even saying it. You might want to have a go at me, but they are entirely supportive of this issue.

Senator Chris Evans: I am just telling you to be honest. Use the figures and then come to conclusions. Okay?

Senator NASH: I am most certainly doing that, Minister.

Senator Chris Evans: Running around trying to create fear, running around trying to encourage people to say they are worse off; look at the statistics, look at the realities for people then by all means we will have that discussion.

Senator NASH: Absolutely. It is not really worthy of you, Minister, to say 'creating fear'. I am merely representing to you what is represented to me from the constituency, so it is hardly me running around creating fear. This is about what people in the community have said to me for over a year, where they are finding difficulty; and they are saying to me very clearly that the changes to the dependent youth allowance do nowhere near match up to what they would have got under independent youth allowance. Now, that is not fear, Minister. That is what they are telling me.

Senator Chris Evans: If they are higher income, that is true.

Senator NASH: What do you class as higher income?

Senator Chris Evans: The rates are in the youth allowance. You know what the rates are. You know where the cut-offs are.

Senator NASH: I do know where the cut-offs are. So you are saying it is acceptable for a family that is on \$80,000 or \$85,000 to be worse off under the changes? Are you saying that that is acceptable? I would say that that is a family with one parent on \$40,000 and another on \$45,000 and that is before tax.

Senator Chris Evans: Those were changes represented in the legislation that you voted for. Nothing has changed.

Senator NASH: Oh, it is groundhog day, Minister. Can't you come up with something new?

Senator Chris Evans: No, you just need to be honest in this debate.

Senator NASH: I have been nothing but honest in this debate, Minister, and you know the Prime Minister would not slip the legislation, and we moved amendments to change it at the time.

Senator Chris Evans: When you say to me, 'Don't you know it does this thing?', I say, 'I know what it does because it was passed by the parliament with your support.' What I am saying to you is now, we have had a year's experience. Have a look at the figures, see what they show. They show more people from rural and regional areas going to university, more people from rural and regional areas getting youth allowance, more getting the top rate of youth allowance and what you say to me is, 'There are people who would have been better off if they had gone through the independent stream under the old system.'

Senator NASH: Absolutely.

Senator Chris Evans: That is right. Some people would have been better off under the old scheme if they had got the independent rate under youth allowance; no question, because we means-tested the youth allowance and brought in new arrangements.

Senator NASH: So are you saying that these people sort of from \$70,000 to \$85,000 are people that should not be getting assistance?

Senator Chris Evans: No.

Senator NASH: Are you saying that they were rorting the system somehow?

Senator Chris Evans: No, I did not say that. I am just saying that the rules changes. You say to me some particular case is worse off under this system than under the other system. I concede the changes meant some people did not have the same eligibility under this system that they had under the previous one. We all knew that when we passed the legislation. We all knew that.

Senator NASH: I would say a couple of things, Minister, in terms of a question that I am about to ask, thank you, as much as I enjoy discussing this with the minister.

CHAIR: I am happy to have a little debate for a little while, but I think that has gone on too long, so let's get back to some questions and answers.

Senator NASH: The questions are definitely going to flow, Chair. I think when you were talking to Senator Fielding before you were talking about, as you just did then, coming back to means testing. The question is, have you not, in any of the equation, actually taken into account the equity issue for regional students, because they have no choice but to relocate? Have you only considered it in terms of means testing, which is what I seem to hear you indicate now?

Senator Chris Evans: As you know, the Relocation Scholarships are part of the new package.

Senator NASH: Which are only available under dependent youth allowance. I would just clarify that.

Senator Chris Evans: Yes. You know why that is: because the others are independent. But Professor Lee Dow is looking at the issues regarding rural and regional students and the youth allowance. We have heard the terms of reference. You know them.

Senator NASH: And I must say, he was a very good pick.

Senator Chris Evans: Yes. I had not met him before we appointed him but he is clearly very bright, very knowledgeable in the area and very passionate about rural and regional education, so I am sure we will get a good report from him. And he is clearly dealing with all the issues that have been raised with him. I am not sure what he is going to come up with because we posed him a fairly difficult challenge, but he will have access to all this information and he has had the advantage of talking to as many of the constituent groups as he has been able to in the time. I do not know if the officers want to add anything that helps.

Ms Paul: Only to say that he has indeed undertaken a large number of roundtables and so on. He has been very comprehensive, but I think you understand that. We may not need to go too much further.

Senator NASH: Oh, go on!

Ms Milliken: You were talking about a family with income of \$85,000 between them. When we come to estimates, we generally prepare for a range of options and the closest I have would be a family with an \$80,000 household income and one child living away from home. Under the former arrangements, they would not have receive youth allowance although they may have been entitled to rent assistance. Under the current arrangements, they would through a Relocation Scholarship in the first year, a Start-up Scholarship and access to youth allowance have in the first year support of around \$12,500.

Senator NASH: So we are talking about \$80,000?

Ms Milliken: Yes.

Senator NASH: Which has a dependent youth allowance rate of \$2,662, rent assistance of \$1,997, the Relocation Scholarship in the first year of \$4,000, the Start-up Scholarship of \$1,300, which comes to \$9,959.

Ms Milliken: The Start-up Scholarship this year is \$2,194. It was \$650 a semester—two half-years—last year.

Senator NASH: Okay, \$2,100; so that would be an extra \$700, so \$10,659

Ms Milliken: And rent assistance.

Senator NASH: I included that. So \$10,695 which still compares to \$13,099; but thank you.

CHAIR: I thought Ms Milliken originally said \$12,000?

Ms Milliken: They would not have had youth allowance under the previous arrangement.

Senator NASH: I am talking current time, so I absolutely accept the increase in the \$2,194, but I am talking about what they would get at the current time.

Ms Paul: That is what we are saying. Under the previous regime, they would have not received youth allowance. Under the current regime, they receive about \$12,000?

Ms Milliken: \$12,000 including scholarships.

Senator NASH: Yes. No, that is fine. I understand and I understand it is an improvement but it is still not the same quantum as the independent; but thank you.

Ms Paul: We are just comparing apples to apples.

CHAIR: They were not eligible at all and now they are eligible under these circumstances to \$12,000.

Ms Paul: That is right.

CHAIR: That is what you are saying.

Ms Paul: Yes.

Senator NASH: No, I understand that. I am just doing a snapshot of right now the differences. That is all.

CHAIR: Okay.

Senator NASH: Yes, it is a snapshot of right now. That is all I am doing; but I accept that that was not there before. Sorry, Minister, just to clarify the review: that will come to you on 1 July. You will consider it, bring legislation to parliament before the end of the year, with a start date of 1 January next year?

Senator Chris Evans: That was the commitment we made.

Senator NASH: That was the commitment you made? All right.

Senator Chris Evans: I think Professor Lee Dow would probably prefer a bit more time but I told him we had made the commitment, so he is endeavouring to meet the deadline.

Senator NASH: He will beaver away.

Senator Chris Evans: If he did not come in till 2 or 3 July, I would not beat him up. But I have told him that that is a commitment that needs to be honoured, so he is working to that deadline.

Senator NASH: I do appreciate the diligence that the professor is approaching this with. Just to clarify, I think the phrase was that changes would be within the current budgetary constraints? Was that right?

Ms Parker: Those are the terms of reference, Senator.

Senator NASH: All right; so within the same quantum that we have at the moment for youth allowance measures. Is that the budgetary quantum?

Senator Chris Evans: That was the phrase used.

Ms Paul: The phrase is, 'Consider proposed recommendations within current budget constraints.'

Senator NASH: Yes, but I am just trying to clarify that it is the youth allowance. It is not the overall budgetary appropriation.

Ms Paul: That would be cool, but, no, that is right.

Senator NASH: All right. One thing I wanted to raise with you—to see if this is something you are aware of and if there were any other issues, but I think it is probably just important that you are aware of it—is that during the roundtable review process we had a constituent in Victoria ring the 1800 number listed on the DEWR website for the review. The person who answered had no idea, apparently, about the roundtables but said they could help with apprenticeships, which is not particularly satisfactory. What sort of feedback did you get about how the hotline was working? That is obviously a case that has fallen down.

Ms Sykes: That example actually may have come to the department's attention, and we did take it up with the organisation that the department contracts to run the call centre and have had follow-up. All the people who are answering that call centre line were provided with training and information about the review.

Senator NASH: Individual human error?

Ms Sykes: I think it is quite unfortunate that there might have been a call or a small number of calls that perhaps were not—

Senator NASH: Dealt with appropriately?

Ms Sykes: dealt with satisfactorily, but we did follow up with the provider and have had ongoing communication with them to ensure that staff are aware of the review and do actually adhere to the scripts information so that students and their families do get the correct information.

Senator NASH: I accept that. Thank you for following that up. Obviously it was brought to your attention. Just on the same type of issue, there have been some issues with Centrelink

staff who have not been well informed enough about the youth allowance arrangements and have, on occasion, given incorrect advice and sometimes changing advice to students and families. I realise that it is not your responsibility, it is Centrelink's responsibility, but obviously everyone would prefer that the correct advice was given at all times, particularly in regard to the amount of stress I think it causes families who are told they will be getting something and then it turns out that they will not. What sort of relationship do you have with Centrelink in terms of the provision of information when it comes to youth allowance and these arrangements, and what sort of audit process have you got to ensure that Centrelink is actually administering the information correctly?

Ms Parker: What we try and do, when people raise issues around Centrelink, is to find out who they spoke with and whether there is an area that we can follow it up with, but it is quite difficult when they are generic complaints. What we do have is a bilateral arrangement with Centrelink with KPIs. We meet with them regularly on all aspects of our policy and we talk through with them what the policy is. We have a very positive relationship with Centrelink. We find their performance good and they are very responsive when complaints are raised, so if you do have complaints, we would urge you to pass them on to us and we will raise them immediately.

Senator NASH: Yes, I think that has been done, and it is not a case of it occurring in one particular Centrelink office. It has occurred from time to time and from state to state. I was just interested in the dissemination of information from your department to Centrelink for them to understand—because obviously it is incredibly complex—so the level of assurance that you have from Centrelink that it is, by and large, being delivered appropriately.

Ms Milliken: When measures are introduced, whether it is youth allowance or other measures that affect income support payments or recipients of programs that are administered by DEWR or delivered by Centrelink, our practice is to work with Centrelink as the implementation arrangements are developed. They would normally provide us with information; the sorts of scripts that they were going to share with their staff, the type of training arrangements they were putting in place for their staff. We work with them on the general products that they are going to produce. So if they have booklets, leaflets or online information, we would normally work with them on that in terms of information for recipients or potential recipients of payments. We work quite closely with them on the development of arrangements. They show us their guidelines and the sort of information they are going to be providing to their internal staff as well, so we do see that range of information. They do have, as you know, a large number of employees and a complex portfolio to deliver.

Senator NASH: Yes.

Ms Milliken: But we do work quite closely with them in the development of information and, as Ms Parker said, when we do hear of concerns being raised by families or individuals about the information they have received, we do take that up with Centrelink and receive positive feedback from Centrelink about them following through.

Senator NASH: If there are staff within the Centrelink practices who are unsure of any of the provisions in this area, is there a 'go to' person for them? Is it set up so that they can actually seek advice in real time, ongoing, if they have a customer with them and they are not sure about the provision for them?

Ms Milliken: They have several centres which are particularly specialist in student assistance processing. If an individual goes into a Centrelink customer service centre they might need to call someone as well, but Centrelink has a specialist phone number for student inquiries. I am just looking. No, Centrelink now has a new central call centre number. I forgot. There is one phone number to call, then to be directed to an area which has the appropriate expertise, whether you are a student or an older person or a jobseeker, so you can be directed to someone who is quite familiar with the student payments.

Ms Parker: And there is a youth allowance number, for example.

Ms Milliken: There is also a youth allowance number.

Ms Parker: In this booklet they actually have phone numbers by topic.

Senator NASH: Would you mind just reading that for *Hansard*?

Ms Parker: Read the number?

Senator NASH: No, the name of the booklet.

Ms Parker: The booklet is *A Guide to Australian Government Payments*. It is a Centrelink—an Australian government—document.

Ms Milliken: It is a Centrelink publication which is available on the Centrelink website as a PDF document as well.

Senator NASH: Thank you. I understand that. It was just this booklet that I actually needed to translate for *Hansard*.

Ms Parker: If you are a senior you can ring a number; if you are disabled you can ring another number. There are actually specialists.

Senator NASH: Specialists in that?

Ms Parker: Yes.

Senator NASH: Thank you very much. Can I just move on to the Rural Tertiary Hardship Fund. I note it applies to first-year students only. Why was the decision made to apply it to just first-year students, given that hardship obviously applies, if it is going to, across one, two, three years at university?

Ms Sykes: The eligibility criteria were developed by the Rural and Regional Taskforce, and it was a task force recommendation to provide grants only to commencing students. It was the view of the task force that once young people make it to uni and get through that first phase of their university study, they actually tend to do reasonably well and they find their feet. That was a task force view based on research that they had considered in their deliberations. So they felt quite strongly that the fund should be targeted to help young people actually make that first step when they commenced uni.

Senator NASH: How many applications have been approved so far?

Ms Parker: How many have been received? Was that the question?

Senator NASH: Approved.

Ms Parker: No, how many have been approved.

Senator NASH: I will start with received. How many applications have been received?

Ms Milliken: There were almost 2,000 applications received.

Senator NASH: And approved?

Ms Milliken: Eleven hundred and one students have been notified of approval of their application.

Senator NASH: From memory, I think there was a finite number over the first period or first quarter that we discussed last time. Can you refresh my memory on that?

Ms Milliken: The intention was that we could provide grants to up to 1,600 students who met the eligibility criteria.

Senator NASH: What is the sort of time frame, on average, from receipt of application to notification that an application had been successful?

Ms Milliken: Students were notified on Monday, 23 May whether or not they had been successful in their application.

Senator NASH: So there could be a fairly lengthy time frame for some students if they put their application in early? It was just raised with me that somebody had put in an application in March and had not heard a couple of weeks ago. They obviously have now.

Ms Milliken: Yes. Applications closed on 22 March and they were assessed, I guess, together.

Senator NASH: So it took a couple of months to get through the process?

Ms Paul: One month.

Senator NASH: Were students advised at any stage of the time line that they would have to undergo before they would either be approved or not approved? Did they have any sense of how long it would take to come back to them?

Ms Milliken: My recollection is that they were advised in May. We will just check that and come back to you.

Senator Chris Evans: Clearly, it is not something you do in a couple of days. It is not like a Centrelink type of thing. They had to review the whole group and make a decision on the criteria.

Senator NASH: I completely understand the process. I am just trying to get a sense of whether students were aware that it would be a not necessarily timely response.

Senator Chris Evans: I am not sure March to May is untimely.

Ms Paul: No, for having to assess thousands of—

Senator NASH: No. Can I just say that from our perspective that is probably an absolutely appropriate time frame. I am talking from the perspective of students who put in an application, perhaps had started university—and you may or may not know, but I am just interested to know whether they had any expectation of when they might hear back from the department whether or not they had been successful. If they have not, then they have not, but I am just interested in if they were.

Ms Milliken: My understanding is that they were advised that they could expect to be notified of the outcome in May.

Senator NASH: That is fine. I have a couple of final things, just following up on a couple of questions on notice from the last estimates. The first one is EW0900_11. It was about a university deferral and whether or not the government or the department had—sorry, do you

have those with you or do you want me to read it? It was whether or not the government and the department had factored in the deferral policies of universities when deciding on the 30 hour a week rule. The answer that came back was, pretty much, that the package of student income reforms introduced following the Bradley review included tightening of the workforce participation. It actually did not respond to the question. Is there a more fulsome answer you could give in terms of whether or not the deferral policies of universities were considered through that process?

Ms Paul: What we are getting at here is that this was part of the Bradley review, so we would probably have to go back to that. I do not know that there is too much further we can take it really.

Senator Chris Evans: The work was done by the Bradley review, I think.

Senator NASH: As you can see, it actually does not answer the question. Perhaps you could have another—

Ms Paul: I think it does, because it points to the Bradley review.

Senator NASH: It does, and it includes tightening the workforce participation. It does not actually really refer to the deferral policies, which was quite specific.

Ms Paul: I see.

Senator NASH: Perhaps if you could take it on notice again, look at the Bradley review—if that is indeed the context—but point out where the deferral policy has been taken into account.

Ms Paul: I am happy to give it another go. We may not get to that, because it was actually something internal to that review. Nonetheless, I am happy to take it on and we will see if we can find it.

Senator NASH: That would be great. The two-year deferral has been quite a significant issue, so I am just trying to get an understanding of whether or not that was considered in context in a little more detail than just the Bradley review. There was also a similar response to EW0901_11 about whether or not the benefit to communities of potential tax payment and contribution to rural and regional Australia were taken into account. Perhaps again you could—

Ms Parker: We will take the same—

Ms Paul: The same approach.

Senator NASH: try and come up with some more detail which actually might assist in answering the question.

Ms Paul: Yes, sure.

Senator NASH: Thank you, Chair. I think I am done on that.

CHAIR: I have a few questions. We were about to go to the break, but I have got probably five to 10 minutes, so we might do that and then you can go, Minister, and I understand that Parliamentary Secretary Collins will be coming instead, and then we will move on after the break.

Senator NASH: Chair, there is one thing I forgot to follow up. Sorry, it just slipped my mind.

CHAIR: Sure.

Senator NASH: You said there were 1,101 Rural Tertiary Hardship. It was up to 1,600. Why were there only 1,101 and not the full complement of 1,600? Did the remainder of the applications out of the 2,000 just not meet the criteria?

Senator Chris Evans: They did not meet the criteria.

Ms Parker: Presumably they did not meet the criteria.

Senator NASH: Okay.

Senator Chris Evans: We are the first to concede that being the first time it has been used, knowledge of the scheme would not have been as widespread. So you might, on a second round, get more applications. It stands to reason that with any new scheme the department—

Ms Paul: They had to meet a financial hardship criteria, a socio-economic criteria, and a personal circumstances criteria, and they were weighted, so perhaps they did not meet them.

Senator NASH: Those ones did not make the grade. Thanks, Chair.

CHAIR: Thank you. I have a series of questions. Some of them may have been partially answered in the debate, but it was a bit hard to follow some of the questions and answers, so I am just keen to be very clear about what has happened. Can you tell me what has been the percentage growth in the number of university students now receiving dependent youth allowance?

Ms Milliken: Yes. The total growth in the number of higher education students?

CHAIR: University students, yes.

Ms Milliken: University students? Sorry.

Senator Chris Evans: Higher education.

Ms Milliken: Higher education students?

CHAIR: I have said university.

Ms Milliken: University, yes. The way I receive the data says 'higher education' rather than 'university'. That is why I was asking. Overall, the total number of independent students has grown by around two per cent.

CHAIR: What has been the percentage growth in the number of university students now receiving independent youth allowance?

Ms Milliken: Sorry, that was independent youth allowance.

CHAIR: Okay, let us start again, because this is why I want to get it very clearly on the record. The first question is what has been the percentage growth in the number of university students now receiving dependent youth allowance?

Ms Milliken: Dependent youth allowance, 35 per cent.

CHAIR: What has been the percentage growth in the number of university students now receiving independent youth allowance?

Ms Milliken: Two per cent.

CHAIR: Has there been any percentage growth in the total number of university students receiving the away from home rate of youth allowance?

Ms Milliken: If you would not mind, I need to look that up. Would you mind repeating the question?

CHAIR: The total number of university students receiving the away from home rate of youth allowance.

Ms Milliken: The total number of university students receiving the away from home rate has grown by 15 per cent.

CHAIR: What about the growth in the number of dependent university students receiving the away from home rate?

Ms Milliken: That would be 43 per cent.

CHAIR: Has there been any growth in the number of independent university students receiving the away from home rate?

Ms Milliken: There has been a six per cent growth in the number of independent students receiving the away from home rate independent youth allowance.

CHAIR: What has been the percentage growth in the total number of university students from rural and regional areas now receiving youth allowance as a result of the changes?

Ms Milliken: I think we covered this one earlier. The total number of students from rural and regional areas receiving youth allowance?

CHAIR: Yes.

Ms Milliken: Yes. It was 22 per cent growth. That is total number of students.

CHAIR: That was the 22. Has there been any growth in the total number of university students from inner regional areas now receiving youth allowance?

Ms Milliken: The growth in the number of inner regional students receiving youth allowance is 20 per cent.

CHAIR: Has there been any growth in the number of university students from inner regional areas now receiving dependent youth allowance?

Ms Milliken: From March 2020 to March 2011 there was a 50 per cent growth in the number of inner regional students receiving dependent youth allowance.

CHAIR: Has there been any growth in the number of university students from inner regional areas now receiving independent youth allowance?

Ms Milliken: Three per cent growth.

CHAIR: Has there been any growth in the total number of inner regional students receiving the away from home rate of youth allowance? Or did I ask that before?

Ms Milliken: I think you asked that a little while ago.

CHAIR: I might have asked that before too. I have got too many bits of paper. Let this be a test. Answer that again and we will compare notes later.

Senator BACK: We are up to 192 per cent, but keep going, please!

CHAIR: In the different categories.

Senator BACK: The new categories, I hope.

CHAIR: It is interesting. I am glad you make that point, Senator Back, because the point is that it seems to be that in every category there has been growth.

Senator BACK: Absolutely. I am fascinated, Chairman. Keep going, please. Minister, we are right through the evening supper, but do not worry about that because it is up to 192. Let's keep going.

Senator FIELDING: Numbers are a pretty important statistic. For those two periods you are comparing with, could you also do, for each of those categories that the chair asked for, a proportion of total students going to university for those two periods? It is a very interesting comparison between the two and I will be interested to see what it shows—the proportion for each of those categories of the total students going to university.

Ms Paul: In other words, what you are asking there is what proportion of—

Senator FIELDING: Students going to university.

Ms Paul: students going to university would be in receipt of the dependent rate of youth allowance or whatever?

Senator FIELDING: Yes.

Ms Paul: We would have to take that on notice.

Senator FIELDING: And if I was around I could drill into it more and I would get those back because—

Senator Chris Evans: I think when I asked the very same question we could not break down the attendance or the enrolment figures in the same way, because although we had the Centrelink database which is of those who are receiving income support through youth allowance, for the students who are not on that we do not have the same figures. All we have is the university enrolment figures, I think is the answer, but if I am wrong—

Senator FIELDING: But you could actually do it from the total number of students at university and then just take a percentage of each of those categories, quite easily, and compare the two.

Senator Chris Evans: Yes, but you cannot necessarily go down to the categories about away from home et cetera, because we do not have that information on there. I asked exactly the same question and I am giving you the answer I got, but we will take yours on notice and you might get a better result than I got.

Senator FIELDING: But if you just do the macro, you actually take the category and just take the total number of students.

Senator Chris Evans: Yes.

Senator FIELDING: It is just a reference point, because the number of students could be growing as well.

CHAIR: Not your shadow minister, that is for sure.

Senator FIELDING: It is, so you're getting growth anyway. But I would be interested to see what the growth is compared to the total growth of students, that is all. It is a good reference point to work from.

Senator Chris Evans: I am glad you asked that question, because my adviser thought it was not a very good question.

Senator FIELDING: It is a very good question.

Senator Chris Evans: So I have now got support.

Ms Paul: One of the issues we will have to tackle in taking it on notice—and of course we will and have a look at it—is that the enrolment data has a bit of a lag effect. So the Centrelink data is basically in real time.

Senator FIELDING: But if you are taking the two reference points from that data total at the same—

Ms Paul: That is right.

Senator FIELDING: at different points, it is still a reference point that has some meaning.

Ms Paul: Yes, we will see what we can find, sure.

CHAIR: My final question was: how much extra, in dollar terms, is the government spending now on income support?

Ms Paul: On youth allowance?

CHAIR: Yes, in all the categories.

Ms Paul: Youth allowance student?

CHAIR: If you need to take that on notice, that is fine.

Senator Chris Evans: I do not know.

Senator BACK: Is that 2010-11 or 2011-12?

CHAIR: No, based on this enrolment with the increased numbers compared to the previous—

Senator Chris Evans: A quarter last year and a quarter this year probably, but we will take that on notice.

CHAIR: All right, you can take that on notice. If everyone is finished in this area we will now take the evening break and then we will come back and finish outcome 1.

Proceedings suspended from 9.54 pm to 10.10 pm

CHAIR: I call the committee to order. We are finishing outcome 1.

Senator NASH: We are doing Support for the child care system. How many children are currently enrolled in long day care?

Ms Taylor: Senator, at the most recent quarter, which is the September 2010 quarter, there were 556,650 children from 449,760 families.

Senator NASH: Do you have any kind of breakdown on the number of days a week the child might spend in care, just on average; obviously not in any great detail but just an idea of an average number?

Mr Hardy: In general, in long day care, they spend around about 26 hours a week, which is between two and three days; 10 hours has been the full-time care, so on average it is 26 hours in long day care.

Senator NASH: In terms of the children in family day care, is it a little more difficult to get those numbers or do you have pretty clear access to those?

Ms Taylor: At the September quarter in 2010 there were 108,090 children from 74,110 families in family day care or in-home care.

Senator NASH: Is it possible to have that broken down by state and territory?

Ms Taylor: Yes.

Senator NASH: I am happy for you to take that on notice.

Ms Taylor: We have it here, if you like, but I am happy to give it to you on notice.

Senator NASH: That is fine. Outside school hours care? How many children?

Ms Taylor: Again in the September quarter of 2010 there were 267,530 children and 191,970 families.

Senator NASH: I am very happy for you to take this one on notice: I am just interested in the average cost of child care by care type. So across all of those, if you would not mind just taking it on notice and providing the average costs across each of those areas.

Ms Taylor: Certainly, Senator.

Senator NASH: In relation to the framework to assist the financial viability of large long day care providers, which I think was in December, the end of last year, what were the terms of reference that went to McGrathNicol to do that?

Ms Shannon: The department actually appointed McGrathNicol in November in 2010 to develop the financial viability framework that would be used by the department to assess the financial viability of large long day care providers. The objectives of the framework are to address the risk of sudden and wholesale closure of child-care services by monitoring the financial viability of large-scale operations and to minimise the financial intervention costs to the Commonwealth. With that objective in mind, that was the sort of scope of the project.

Senator NASH: So that is to give you a framework to actually do the assessment. Where did the determination come from that the financial viability of these centres was needed?

Ms Shannon: This was one of a number of areas the government wanted to respond to in the wake of the ABC Learning collapse. I guess there was a concern that perhaps, given the power the department had under the existing family assistance law, we were not able to make the sorts of inquiries on a regular basis about a range of key financial indicators for large long day care providers. It was a budget measure in the 2009-10 budget and the idea was to develop a financial viability framework and then to be able to apply it to hopefully avert collapse of a similar large-sized entity in the child-care market.

Senator NASH: And the number of centres that are going to be subject to this? Is it 27?

Ms Shannon: Yes, the definition of a large provider is 25 or more sites. At present, looking at the current providers, there are approximately six that would fit that particular—

Senator NASH: And what sort of response have you had from the providers?

Ms Shannon: We conducted some consultations as part of the regulation impact statement for the measure, and I think on the whole the feedback from providers was quite positive. Most of the providers indicated that they felt they could actually provide the information required through existing financial reporting arrangements, so profit and loss statements and the sorts of documentation they are required to provide under existing requirements to their shareholders or to boards.

Senator NASH: Do you think that maybe they were prompted to perhaps be amenable to that idea, given the possibility that the framework is going to sit there anyway?

Ms Shannon: The department has tried to frame the financial viability framework in a way that is as least intrusive as possible. We are really trying to build on existing measures, and providers probably recognise the community impact of large-scale closures like the ABC centres.

Senator NASH: And the figure of the 25-plus centres; who determined that was going to be the benchmark?

Ms Shannon: I guess the department determined that as a benchmark based on some of the advice from McGrathNicol. The idea of 25 centres is that it is of significant impact. We are really talking about multiple communities across the country.

Senator NASH: Okay, can I just move on. In the budget paper there was a loan to Good Start of \$15 million, to be repaid over seven years.

Ms Paul: Yes.

Senator NASH: When was that loan initiated and how much has been repaid to date? When is the final date of the seven-year period?

Ms Paul: You know that this was for Good Start taking on the unviable centres.

Senator NASH: Yes, I know it is. I am just trying to get a sense of where it is at.

Ms Paul: You know all the history of it, just the time frame?

Senator NASH: Yes.

Mr Kimber: The loan is over a seven-year period. The initial loan was drawn down around about this time last year. To date there has been one interest payment made, which was made in the second half of 2010. There will be a repayment of principal and interest in the next few months, early into 2011-12, and those payments will continue until the loan is fully repaid in seven years.

Senator NASH: And that is all on track as per expectation?

Mr Kimber: Yes.

Senator NASH: Have any providers gone into voluntary administration over the last period?

Mr Kimber: I will take that on notice. Not that I am aware of.

Senator NASH: That will be fine. The CCMS help desk—how many phone calls would be received, just roughly, on average on a monthly basis?

Mr Kimber: We have a figure here for on a daily basis. On average, it is 475 calls a day.

Senator NASH: How many staff are allocated to that? Do you want to take it on notice?

Mr Kimber: Yes, I do want to take that one on notice.

Senator NASH: That is fine. It is obviously a significant number of calls over a daily period. So if you could take that—

Mr Kimber: Services also have the opportunity to lodge inquiries by fax or email or leave a message and they are responded to also.

Senator NASH: In terms of unanswered calls—obviously there will be times when there is overload—does the system go to MessageBank? Does it ring out? What is the process?

Mr Kimber: My understanding is that they can leave a message. In the vast majority of cases they are responded to within 24 hours.

Senator NASH: Are you aware of any issues with lack of response through the help desk?

Mr Kimber: I think from time to time a service or a help desk like that receives peak load. In particular, take the floods in Queensland, New South Wales and Victoria which affected a large number of services and communities. There was a significant peak in terms of calls at that time. But in terms of the department responding to that, we apply resources where we can to assist but also then have an obligation to get back to those services as quickly as we can to meet their inquiries.

Senator NASH: Are you aware of the time frame requirement for response to email correspondence?

Mr Kimber: I think there is a standard but I understand that 96 per cent of calls are resolved within 24 hours.

Senator NASH: No, I was talking about email correspondence.

Ms Shannon: I think we use the same timing standard of 24 hours.

Mr Kimber: We can take that on notice and just check and confirm that.

Senator NASH: That would be great. Thank you, Chair. That is all for 1.1.

CHAIR: All right, we have one left. Straight into it.

Senator NASH: Can I firstly just ask, in terms of the cost of child care, and while I am loath to quote media reports sometimes, I would just like some clarification on this one. I understand that Minister Ellis has been quoting the figure for the extra cost of child care in an article recently, 'We've been really upfront about the effect that this will have on costs. It will increase costs by 57c a week in 2010-11.' Can you give us a sense of what that 57c figure is based on?

Ms Paul: It comes out of the regional regulation impact statement and work done by Access Economics on the cost of the regulatory changes. We have dealt with it here a number of times. The work was done some time ago and remains robust. I might stand corrected. Mr De Silva I think might be able to take it further.

Mr De Silva: Access Economics did a range of modelling as part of the RIS for the quality reforms. That was outlined in the decision RIS and the range in terms of dollars as per the minister was from 57c in 2012 to, on average, \$8.67 per week in 2014-15. That is based on one child attending in full-time long day care and on an annual income of \$80,000.

Senator NASH: So what is the increase in costs over the three years attributed to? Sorry, that fairly significant increase from 57c to \$8.67 a week over those three years—what is the increase in that cost attributed to?

Mr De Silva: First there was a base line cost of just normal cost increases. The \$8.67 was based on the quality reforms being put in place to enhance the quality of early childhood education and care. That went to the changes in qualifications. That kicks in in 2014 on 1 January.

Senator NASH: Okay. I understand there has been some discussion around potential increase in child-care wages. Has that been factored into these figures at all or does that get looked at as a hypothetical?

Ms Taylor: The modelling would have assumed if you increased the qualification level then you would be paid on the award at the appropriate level, which would be an increase over an unqualified person. So those sorts of issues would be taken into account.

Senator NASH: There has been a call, I think, for a 50 per cent increase, which is obviously quite significant. So was that quantum of increase factored in potentially?

Ms Paul: I am not sure where you get that figure from.

Senator NASH: It was just some discussion within the unions lately, calling for a 50 per cent wage increase.

Ms Paul: This analysis was done by Access Economic some time ago when the reforms started, so if that is a recent call, no, it has not been—

Senator NASH: Yes, that is fine.

Ms Paul: And it was a very thorough regulation impact statement. It has been in the public domain for quite a long time. It is robust work.

Senator NASH: So that would have happened post whenever this work had been done.

Ms Paul: Yes.

Senator NASH: Just on the child-care rebate, how many families are currently eligible for and receiving the CCB?

Ms Taylor: I can get those for you, Senator. Child care rebate as at 10 April, around 548,000 families received their second-quarter CCR payment.

Senator NASH: How many claim the maximum rebate?

Ms Taylor: That is a small percentage. I will just see if we have that. I will bow to Mr Kimber when he finds it, but I think it was a small amount that received it and I have a figure of 2,000 in my head but I could be wrong, so I will just check that.

Senator NASH: Okay, that is fine.

Ms Taylor: We may have to take that on notice.

Senator NASH: This might be a question for you, Minister. In terms of the move to put a cap on the rebate—I think it was \$7,500, which has not been through the parliament. Is that something that government will be revisiting? Is that still the plan, to move down that policy track?

Ms Paul: I will have to take that on notice.

Senator NASH: Okay. Chair, I think that is it.

CHAIR: I am pleased to hear it. Thank you, everyone; another good day. We will adjourn until 9 am tomorrow.

Committee adjourned at 22:19