'Comfort' letters leave TAFE discomfited

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The Australian
June 22, 2012 12:00AM

SEVEN weeks after Victoria revealed its plan to eliminate funding distinctions between public and private training colleges, the government has pledged to underwrite TAFEs' debts.

Skills Minister Peter Hall told parliament that several TAFE boards had requested “letters of comfort” guaranteeing financial support in the event that they found themselves in deficit and without cash reserves. He said the government would meet these requests.

The move follows recent government cash advances to at least two regional TAFEs, to ensure they could pay their staff, in the months preceding the latest state government budget cuts.

However, it appears to contradict the government’s new budget policy of funding public colleges on the same basis as their private counterparts to “create a more level playing field”.

Opposition skills spokesperson Steve Herbert said the move implied a level of responsibility over and above obligations to private colleges.

In particular, he said it suggested an obligation to pay for a state-wide salary increase foisted on TAFEs three years ago by the previous state government.

The increase, of 2.5 per cent, falls due in October. TAFEs expect no assistance in meeting this impost, because the government is withdrawing the “full service provision” allocation which previously funded the bulk of salary increases.

However the government has refused to clarify whether it will help TAFEs cover the forthcoming pay rise.

Mr Herbert said the government should also come clean on whether it would help meet the cost of redundancy packages for TAFE staff displaced by the budget cuts.

As statutory entities, TAFEs normally pay these packages from their own coffers. However the HES understands the costs are well beyond the cash reserves of some TAFEs, particularly smaller regional institutes, and that the government has indicated it may help meet redundancy costs on a case-by-case basis.

Mr Herbert said the total redundancy bill could reach $100 million. He said packages could average between $40,000 and $55,000 per staff member, depending on whether they were forced or voluntary redundancies, with TAFEs predicting they will have to shed around 2000 staff.
Mr Herbert said it was outrageous that the government hadn’t revealed whether it would help TAFEs meet the extra costs of retaining staff, and had given “ambiguous” messages about helping them meet the costs of dismissing staff.

“Both are huge payments and impact on TAFEs’ viability and the transition plans they have to do.”

He said the government was “sitting on crucial information” pertinent to these plans, which the government has demanded by September.

But the government said it needed to see the plans before deciding what to do.

“The plans will be reviewed by the independent TAFE Reform Panel, which will provide advice to the government on how TAFEs are proposing to undertake any structural adjustments,” a spokesman said.

“Once we have that advice we will be able to determine what next steps are required to support TAFEs as they refocus their training efforts.”

Mr Hall told parliament that TAFE board members appeared unlikely to face legal problems even if their institutes traded while insolvent. He said TAFEs weren’t defined as companies and consequently weren’t subject to the Australian Securities and Investments Commission or the Corporations Act.

He said there was “no specific reference in legislation or similar instrument” requiring TAFE boards and their directors to inform the government if they were in danger of trading while insolvent.

 “[However] it is a long-held view of the government, TAFE institutes and [their] boards that they need to converse with government regularly as to the financial status of their entities. I think they do that, and so long as they do, I think they are fulfilling their requirements.”

But Mr Herbert said that rather than relying on conversations and letters of comfort, it the government should reveal the key details of the costs facing TAFEs.

He said board members were community-based volunteers who faced enormous reputational risks if TAFEs under their stewardship were unable to pay their bills. “I wouldn’t stay on a board under those conditions,” he said.

Meanwhile the government has revealed the members of the four-person panel appointed to review TAFEs’ transition plans.

It will be chaired by former TAFE general manager Ken Latta. The other panellists are former Goulburn Ovens TAFE CEO Peter Ryan, former KPMG partner JoAnne Stephenson and Victorian Skills Commission chair Yvonne Von Hartel.

Mr Hall said the panel would meet for the first time next Thursday. “[It] will oversee transitioning to ensure that TAFEs collectively make the most of opportunities [our] reforms offer,” he said.

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