



PARLIAMENTARY BUDGET OFFICE

NSW Parliament • Parliament House, Macquarie Street Sydney 2000

Referred by: Australian Labor Party **Proposal No:** C1476
Date Referred: 15/03/2023 **Date Published:** 20/03/2023
Proposal Title: Domestic Manufacturing Centres of Excellence
Cluster: Education

General Government Sector Impacts

	2022-23 \$'000	2023-24 \$'000	2024-25 \$'000	2025-26 \$'000	4 year Total \$'000
Expenses (ex. depreciation)	-	8,035	21,439	31,699	61,173
Depreciation	-	-	-	-	-
Less: Offsets	-	-	-	-	-
Revenue	-	-	-	-	-
Net Operating Balance:	-	(8,035)	(21,439)	(31,699)	(61,173)

Capital Expenditure	-	-	-	-	-
Capital Offsets	-	-	-	-	-
Net Capital Expenditure:	-	-	-	-	-

Net Lending/(Borrowing):	-	(8,035)	(21,439)	(31,699)	(61,173)
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Total State Sector Impacts

Net Lending/(Borrowing):	-	(8,035)	(21,439)	(31,699)	(61,173)
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Notes and costing assumptions:

The policy proposes to create three manufacturing training centres in Western Sydney, Hunter and the Illawarra to train 1000 apprentices each year for a domestic manufacturing industry. The courses will be offered fee-free.

The PBO has estimated the cost of this proposal to be \$104.4 million (calculations are listed below) over the life of the program, \$61.2 million over the forward estimates.

The policy will begin upon formation of government, and this assumes that there would be enough time (3 months) to start offering fee-free courses from 1 July 2023. The PBO notes this may not be possible and could require fees to be paid back at a later date. The policy notes the intention to pay for these courses by reallocating funds already allocated to existing fee free courses.

TAFE NSW notes that they will continue to accept enrolments in fee free courses throughout 2023 however no commitment has been made to offer fee free courses post 2023. Therefore, the existing funding allocated by TAFE NSW is required to meet the current commitment of fee free courses and cannot be reallocated.

Therefore, the cost of the policy will need to be funded from new allocations.

Notes and costing assumptions continued:

Background

TAFE NSW has provided the PBO with a model of the costs for offering fee-free courses. TAFE has assumed that qualifications to be delivered in the Manufacturing Training Centres will be those currently listed under the Manufacturing and Engineering (MEM) Training Package that TAFE NSW currently delivers. These qualifications are:

- Advanced Diploma of Engineering
- Certificate I in Engineering
- Certificate II in Engineering
- Certificate III in Engineering - Fabrication Trade
- Certificate III in Engineering - Mechanical Trade
- Certificate III in Engineering – Technical
- Certificate IV in Engineering
- Certificate IV in Engineering Drafting
- Diploma of Engineering - Technical

Key assumptions

- The TAFE model assumes places for the above courses are available where these are currently delivered and that not all qualifications are delivered in all regions.
- The PBO assumes that the manufacturing training centres can be provided using existing TAFE resources and facilities. Therefore, there are no costs related to refurbishment or construction.
- The costing assumes the centres will support training for 1000 places each year over 3 years. The costing includes student enrolment costs for the proposed courses and additional teachers to support the new places.
- The costing has used a weighted average based on previous enrolment numbers to determine how many of the 1000 full time positions would be expected in each course offering.
- The expected completion percentage for each course offering has been estimated using prior years completion rate. This rate was 53 per cent and it is assumed that 80 per cent of the attrition will come in the 1st year. The profile of enrolments is outlined in Table 1 below.
- The average price of the identified qualifications has been determined by taking the enrolment breakdown of the proposed courses at multiple locations. The calculations have used a weighted average based on previous enrolment numbers to determine the weighted average annual cost.
- All training places are additional, over, and above existing programs. Prices have been escalated for CPI in line with NSW Treasury forecasts at the Half Yearly Review.
- No adjustment has been made for any future pricing reviews. Needs and location loadings are additional.
- Using the current split of enrolments across the proposed courses, most of the students are enrolled in 3-year programs and therefore the costing has taken a 3-year profile for enrolments. Some students may take shorter courses however this is unlikely to materially affect the total cost of the policy.
- To calculate the number of teachers required the costing uses a 1:17 teacher to student ratio. This is based on the [Australian Skills Quality Authority](#) ratio of 1:17 as the PBO understands this is lower in NSW.
- The costing uses an average NSW TAFE teacher salary of \$124,000, escalated for wages growth in line with NSW Treasury forecasts at the Half Yearly Review (see table 2 below).
- All students are assumed to have completed prerequisites prior to allow to enrol in the courses.

Notes and costing assumptions continued:

Table 1. Breakdown of commencements by course type

Student numbers	2024	2025	2026	2027	2028
Cohort 1	1,000	620	530	-	-
Cohort 2	-	1,000	620	530	-
Cohort 3	-	-	1,000	620	530
Total	1,000	1,620	2,150	1,150	530

Table 2: Teacher costs

	2023-24	2024-25	2025-26	2026-27	2027-28
Teachers	59	95	126	68	31
Salary	124,000	128,030	132,191	136,487	140,923
Total	7,294,118	12,200,507	16,718,270	9,232,956	4,393,482

Table 3. Course costs

Cost	2023-24	2024-25	2025-26	2026-27	2027-28
Cohort 1	8,775,990	5,590,744	4,898,664	-	-
Cohort 2	-	9,017,329	5,730,513	5,021,131	-
Cohort 3	-	-	9,242,763	5,873,776	5,146,659
Total	16,070,108	26,808,580	36,590,210	20,127,863	9,540,141
Calendar year	8,035,054	21,439,343	31,699,395	28,359,037	14,834,002