Review of Vocational Education and Training (VET) Fee and Funding Review

Consultation

June 2011
Part A. Introduction

Part B. Overview of the Australian and the Australian and Victorian Private Vocational and Training Sectors

Part C. Key Consultation Questions

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PART A. Introduction

Established in 1992, the Australian Council for Private Education and Training (ACPET) is the national industry association for private providers of post-compulsory education and training. ACPET has over 1,100 members nationally delivering a full range of higher and vocational education and training (VET) and English language courses across all States and Territories.

ACPET’s mission is to enhance quality, choice, innovation and diversity in Australian education and training for individual, national and global development. It represents a range of private providers, including commercial and not-of-profit entities, community groups, and industry and enterprise-based organisations. ACPET works with governments, education and training institutions, industries, and community organisations, to ensure vocational and higher education and training services are well-targeted, accessible, and well-delivered with courses of high quality, and providing for choice and diversity.

As the peak body for private providers, ACPET is committed to ensuring that its policies, products and service contribute to an inclusive tertiary education system.

Throughout this submission there are five underlying principles. ACPET asserts that these underpin a road map to deliver greater efficiency, effectiveness and equity for Australia’s VET system. These principles are:

- Increased student choice will promote greater responsiveness in the education market, enabling learning to be tailored to the diverse needs of individuals.
- Supporting enterprise to invest in knowledge and skill development of their existing and future workforce will increase national capability and productivity.
- Fair and equitable regulation will better preserve the desired standards for quality in learning outcomes and viability of the institution.
- Structural separation will promote the efficient use of public funds, through better transparency, increased competition and clearer incentive.
- Improved quality and performance of all professional staff underpins greater quality and accountability of service provision to students.

Private providers include commercial and not-of-profit entities, community groups, and industry and enterprise-based organisations. Research conducted for ACPET in 2010 indicates
private providers deliver training to 1.44 million equivalent full time (EFT) students around Australia each year.

This submission has been developed in consultation with representatives of the ACPET Victorian State Committee and with numerous ACPET member VET providers. ACPET wishes to recognise their valuable and important contribution.

PART B provides a brief overview of the private Australian and Victorian VET sector, focusing on the following aspects:

PART C of this submission responds to the key consultation questions asked by the Essential Services Commission in the *Vocational Education and Training Fee and Funding Review Issues Paper*.

ACPET acknowledges the efforts of the Essential Services Commission (ESC) established to review the Fee and Funding arrangements in the Vocational and Training (VET) sector in Victoria, and welcomes the opportunity to respond to the issues raised by the ESC in its *Issues Paper*. 
PART B: Overview of the Australian and Victorian Vocational Education and Training sector

This last decade has seen substantial changes in the Australian economy, workplaces, workers and their expectations of work, and in the demographics of the current and future workforce. The Coalition of Australian Governments (COAG), plus State Governments in their jurisdictions, as well as industry groups, are investing in change programs to substantially lift workforce participation, worker productivity and capacity to meet future needs.

A recent Report\(^1\) commissioned by the Victorian government provides an outlook for the Victorian labour market in 2011, including analysis of occupations in demand and experiencing critical skill shortages. The report identified the following key issues that are expected to influence industry performance and the demand for skills in 2011:

- Regulatory changes and other government policies. These relate directly to the supply of training and skills – such as the specific programs and policies funding the Victorian VET sector – along with wider economic and social policies.
- Technological changes, including the use of new materials and the introduction of enhanced business processes. This can lead to the need for redeployment or retraining into other emerging areas.
- Environmental and sustainability issues. Sustainability is becoming increasingly embedded within standard business practices, underpinning demand for workers to have a broad understanding of sustainable processes.
- The ageing of Australia’s population, in particular, concerns regarding the increased number of retirements over the coming years are centred on the loss of skills and experience in key occupations, and the resultant ‘skills gap’ which is expected to occur.

As noted in the ESC’s Issues Paper, education “reforms at both the State and Commonwealth level have been driven by a shortage of skilled labour and an increasing recognition of the importance of skills and qualifications in enhancing Australia’s future productivity and social outcomes” (p1).

The structure of the Australian economy is changing, moving away from a manufacturing base to be more services and innovation-oriented. Education for work is vital to Australia’s productivity and competitiveness agenda, and performance of the VET system is key to advances. The need to modernise VET to ensure responsive, effective and efficient delivery of training has been recognised at Federal and State levels. Regulation will soon be streamlined through the National VET Regulator and National Standards Council, and the future may see a

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merger with the Tertiary Education Quality and Standards Agency (TEQSA) as a single integrated tertiary system takes shape to meet future Australian needs.

A number of States are closely examining their VET performance and delivery models. Victoria, in particular, has implemented its *Securing Jobs for Your Future – Skills for Victoria* policy direction and change program announced in 2008, including growth in accessible training places, with a wider range of providers now providing responsive choice for individuals and businesses. ACPET has worked closely with Victorian agencies in implementing changes.

Introducing their new policy direction and reform package for the vocational education system, the Australian Prime Minister and State Premiers emphasise the need to transform our country into a highly-skilled community. Global competition means that the traditional industrial platform in Australia must transform. Economic and career opportunities are widening.

In response to demands from users (employers, and individuals as intending students) the number and diversity of non-public providers has grown greatly in two decades. Contestability of rising proportions of State Government funding for VET has both recognised the importance of this expansion, and facilitated service innovation.

A large proportion of VET is now delivered to meet employer, employee and future worker needs through arrangements with private Registered Training Organisations (RTOs), as noted in June 2010 by Heather Ridout, CEO of the Australian Industry Group: “... so many of our members go to private providers because they have more of the flexibility to actually come and deliver the way companies want it (training) delivered.”

Research commissioned by ACPET in 2010 has confirmed the importance of the private sector in Australia in delivering skills for individuals and employers. The survey of more than 4,000 private training providers across Australia (ACPET members and non-ACPET providers) had a response rate of more than 10%, with almost 500 responses being received. Based on this response rate, data calculations show private providers delivered training to 1.4 million equivalent full-time students in both the vocational and training and higher education sectors across Australia over the previous 12 month period.

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2 WHK Horwath, for ACPET, *Education Industry Survey 2010*. Private providers in Australia are delivering courses at all levels — Certificate I, II (8% of private provider provision), Certificate III, IV (34%), Diploma and Advanced Diploma (20%), higher education (2%), other AQF (21%), non-accredited (13%), across over 20 industries or fields.
Table 1. Private Training Provision by AQF Level

<table>
<thead>
<tr>
<th>AQF Level</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Senior Secondary</td>
<td>1%</td>
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<tr>
<td>Certificate I &amp; II</td>
<td>8%</td>
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<tr>
<td>Certificate III &amp; IV</td>
<td>34%</td>
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<tr>
<td>Diploma and Advanced Diploma</td>
<td>20%</td>
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<tr>
<td>Bachelor Degrees</td>
<td>2%</td>
</tr>
<tr>
<td>Other AQF</td>
<td>21%</td>
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<tr>
<td>Non-accredited</td>
<td>13%</td>
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As identified by NCVER, in 2003 private providers were servicing more students than public providers, and that:

- private RTOs were a diverse group, covering adult/community providers, enterprise-based providers, industry organisations, commercial and not-for-profit organisations and others;
- private RTOs were offering a wide range of accredited and non-accredited VET courses across the full range of the Australian Qualifications Framework;
- as well as their course offerings, many private RTOs also provided a wide range of student services;
- training in 2003 was largely delivered face to face;
- 63% of the surveyed private RTOs were receiving some government funding;
- private RTOs were making a substantial contribution to the overall VET effort in Australia; and
- with caveats, NCVER estimated that private RTOs in 2003 had 2.2 million students. This compared with the 1.7 million students in the public sector.

The progressive opening of the VET marketplace, including by contestability of funding, has spurred innovation and efficiency in both public and private providers – as seen in the following extract from a study commissioned in 2006 by the Australian Industry Group (AIG):

"A number of employers say that there are examples of excellence in services provided by specific institutions in both the TAFE and private provider sectors, but that this is not consistently the case. Overall, around 65% say that they are satisfied with TAFE services, and a similar proportion is satisfied with private provider apprentice training. A higher proportion is satisfied with private providers for non-apprentice training.

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4 NCVER, Harris, Simons and McCarthy, 2006. Private training providers in Australia: Their characteristics and training activities.
Private providers are rated higher by employers than TAFE on all more detailed criteria except cost ... although the gap between employers’ views of private providers and TAFE has narrowed over time, with TAFE now more responsive and private providers more affordable than in 1998. Low proportions of employers regard training by TAFE and private providers as world class, with a high proportion (around half) neutral on this issue. Substantially more do not regard TAFE apprentice training as world class (33%) than do regard it as world class (20%).

Furthermore, several employers remarked that opening up TAFE to competition had helped to improve their service markedly in some cases. Where problems still exist, this was thought to be due, in part, to a lack of competition.

Private training institutions are now arguably the ‘engine room’ of the Australian training sector. The contribution of the many private providers is under-acknowledged and invisible because much of their training delivery (including workforce development with enterprises) is fee-for-service rather than publicly funded. Statistical collections generally focus on training funded by Governments.5

In 2010, there were approximately 5,000 VET providers in Australia (public, private, group enterprise, and others)6. The private training sector employs over 95,000 EFT staff nationally, including trainers and assessors, administrators, and support staff.

The recently commissioned Education Industry Survey 2010 indicates that private providers are delivering 74% of all VET, with 80% of this provided to domestic students, most on a fee for service basis7. ACPET members deliver some 85% of private provider training. Nationally, the ACPET survey estimates that private RTOs deliver over 4,000 accredited and non-accredited courses to 1.4 million equivalent full time (EFT) VET students annually. Of these, over 800,000 students are undertaking AQF qualifications at Certificate III level and above. In addition, some 21% of private provider delivery is to meet direct employer needs for skills set training to upskill workers as part of workforce development plans and practices.

For Victoria, as at 22 June 2011, the National Training Information Service (NTIS) lists 1,080 RTOs, of which only 9 are publicly funded Institutions, such as TAFEs and the College of Adult Education (CAE) and Adult Multicultural Education Services (AMES). The ACPET membership in Victoria consists of 303 Members8, of which 254 offer VET courses; 42 offer Higher Education courses (there is an overlap as some offer both types of courses), ranging from Certificates to

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6 ABS, Year Book Australia 2009-2010.
7 WHK Horwath, for ACPET, Education Industry Survey 2010
8 This total number comprises 278 RTOs plus 25 Affiliate/Life members.
PhD by Research and the remainder offer school based programs (once again, with some overlap).

The top five industry areas of private training delivery by ACPET members in Victoria are:

- Business and Clerical Studies;
- Community Services, Health and Education;
- Automotive;
- English Language/ELICOS; and
- Tourism and Hospitality.

ACPET members in Victoria:

- teach/train over 340,000 students (including both VET and HE levels), approximately 88% being domestic students, and 12% international students;
- employ over 34,000 staff; and
- have a staff - student ratio of 10:1.

Some recent facts related to Victorian State Government funded vocational education and training (VET) courses:

**Provider Performance:**
For the first quarter of 2011 compared with the first quarter of 2010, enrolments by:

- TAFE providers were up 10% and represented 51% of the full year 2008 number;
- Private providers were up 112% and exceeded the full year 2008 number by 46%; and
- ACE providers were up 14% and represented 46% of the full year 2008 number.

Private RTOs’ share of Government funded enrolments rose from 14% in 2008 to 25% in 2010. Continued strong enrolment growth by Private RTOs in the first quarter of 2011 lifted their share of the Government funded market to 32%.

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9 Skills Victoria, The Victorian Training Guarantee: Vocational Training Market Delivery and Demand, Quarterly Progress Report, Q1, March 2011.
Provider Type:

One aim of the Victorian Training Guarantee (VTG) is to provide Victorians more opportunities and greater choice in where they undertake training. The number of private registered training organisations (RTOs) contracted to deliver government funded training almost doubled between 2008 and 2010, rising from 225 to 528.

Student numbers have grown across all provider types, with students at private RTOs almost doubling between 2008 and 2010. By the end of March 2011 this trend looks to have continued. Student numbers at private RTOs were almost one and a half times the full year 2008 number. For TAFEs and ACE providers the March 2011 numbers were equivalent to around half of the 2008 full year totals.

As a result, enrolments at private RTOs increased rapidly in 2010, to more than double the 2008 number. In contrast, government funded enrolments at TAFE providers were only slightly higher in 2010 compared with 2008, following a modest decline in 2009 (figure 2). Enrolments at ACE providers dropped in 2010 to slightly below the 2008 number.
In brief, in Victoria, Government funded training:

- enrolments jumped 31% to 208,300 in the first quarter of 2011, compared with a year ago.

- the jump in similar enrolments at private providers rose by 112%. Growth at publicly owned TAFEs grew by 10%.

- total enrolments, 2010 vs 2008, was +27% (+46,000), made up of:
  - Private RTOs +159%
  - ACE + 18%
  - TAFEs + 3%

- Diploma & above enrolments in 2010 vs 2008, was +24% (+14,000), where:
  - Private RTOs +998%
  - ACE + 79%
  - TAFEs - 10%

- enrolments by qualification level 2010 vs 2008 were made up of:
  - Diploma and above + 24%
  - Certificate III & IV + 19%
  - Certificate I & II + 7%
  - Non award & module only - 22%
• Diploma & above enrolments in 2010 vs 2008 for:
  o Indigenous people + 16%
  o CALD + 26%
  o Disability + 17%

• enrolments in the Youth Compact, in 2010 vs 2008, totaled +28% (32,000) where:
  o Private RTOs + 91%
  o ACE + 13%
  o TAFEs + 12%

The evolving training delivery pattern in Victoria reflects, as in other States, demands of employers and individuals, as well as the quality of training and services delivered by private providers often without public funding for students. Strong service delivery has been fundamental to the growth of private training provision in such competitive 'word-of-mouth' marketplaces.

**ACPET believes there is potential for the Victoria to achieve even stronger returns by harnessing the vigour of private providers to lift overall VET training provision and participation.**

In the next section (Part C), ACPET considers the issues related to fees and funding for VET delivery raised by the Review conducted by the Essential Services Commission (ESC).
PART C: Responses to Key Consultation Questions

1. The VET Sector

Objectives of Victorian Training System

How well do the current funding mechanisms and fee structures contribute to achieving the objectives of the Victorian Training System? In making this assessment how are you defining the achievement of the stated objectives?

Should, and can, the funding mechanism and fee structure for government subsidised VET training places aim to meet all the objectives of the Victorian Training System? Are there some objectives that should be given higher priority than others?

Do the current fee and funding arrangements achieve the right balance between individual, employer and government contributions; and for individual student cohorts?

ACPET believes that the current Victorian Training System (VTS) funding mechanisms and fee structures are significantly contributing to Government achieving its desired objectives. Specifically, since 2008, the Victorian Government can demonstrate the positive economic and social benefits and impact of its training reforms and related funding mechanisms and fee structures.

One aim of the VTS is to provide Victorians more opportunities and greater choice in where they undertake training. The evidence clearly shows an increase in both participation and provider preference (Refer Section B. for data). In turn, the Government has actively encouraged individuals to up-skill through its funding policies and once again, the evidence shows evidence of success against this criterion. Lastly, the VTG supports the Government’s social inclusion strategy, through enabling more people from disadvantaged backgrounds to enrol in training. From the data, it is clearly evident that there is:

- more choice of providers;
- more Victorians in training and re-training; the population is up-skilling; more training in areas of need; and
- of particular significance, the private VET sector has made a marked and substantial contribution to the overall increase in VET delivery between 2008-2010.
Private education providers are strongly customer focussed and adept at designing services to meet a mix of needs including capacity development within workplaces. In shaping new policy to support employers, it is vital that employers be able to choose from services offered by all types of providers. ACPET believes that the VTS should, and can, meet all its objectives as long as there is a rational and equitable platform of Government funding, that supports industry and enterprises to train and up-skill their workforce, balanced by a platform that provides foundation and job readiness training for the more disadvantaged community members. This position must however maintain user choice and preference as its key enabler, where private and public providers are treated equally as suppliers of training services.

The current funding mechanisms and fee structures require adjusting to support this proposition. For example, one of the Government’s election commitments was to re-introduce concession fees to enrolments in Diploma-level and above courses at TAFEs, to students aged 15 to 24 years, who hold a Health Care card at a TAFE Institute. As at 31 March 2011, more than 4,200 concession enrolments have been reported. Students at private RTOs do not qualify for this concession. This is in direct opposition to a user choice environment and is causing confusion in the sector.

As well, public institutions receive weighted training hours, which equates to a higher funded rate than private providers. Although it is acknowledged that the public training system is an essential service with a high infrastructure, it should be noted that the average ACPET private training provider’s class size is significantly smaller than those within a public institution. This is a conscious strategy that supports high retention and satisfaction rates, especially for disadvantaged students, however the funded rate does not cover the level of related servicing that is in place, for example, pastoral care and additional ESL tuition. There is therefore scope to adjust the hourly rates to better accommodate the services provided by the private sector to provide a more equitable platform of funding.

In addition, public institutions receive infrastructure investment funding. It should be noted that private providers significantly invest in infrastructure, such as commercial kitchens, automotive and construction facilities. This highlights the further disparity between the hourly rate offered to TAFEs versus private providers.

ACPET supports the promotion of the efficient use of public funds through better transparency, increased competition and clearer incentives:

- all funding should be contestable equally by public and private institutions;
- funding should be based on full cost of delivery; and

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10 WHK Horwath, for ACPET, *Education Industry Survey 2010*
there should be functional separation between infrastructure and service provision to promote equal access to infrastructure and/or infrastructure funding.

There is also scope for enterprises to contribute to the training and re-training of their employees, where apprenticeships and traineeships are not a suitable arrangement. Further comments are made below (refer next point).

**Should each of the elements of the fee and funding model seek to achieve all of the objectives? Or should the aim be for the objectives to be achieved by the fees and funding system as a whole?**

**Are there other ways or mechanisms for achieving the objectives outside of fee and funding arrangements?**

ACPET believes that the objectives of the VTS should be achieved by the overall fees and funding system as a whole. It appreciates Government’s philosophy of an individual’s commitment to training, through their fees and charges.

ACPET supports partnership approaches across Government, industries, enterprises, training providers and individuals to enhance skill development for the Victorian workforce. A formula which capitalises on all stakeholders’ interests could be considered. For example, where the training is as a result of an identified workforce need by a particular enterprise, the enterprise may also be required to contribute. Key elements could be that:

- enterprises are encouraged to co-invest with individuals and Governments where the enterprise accrues some of the benefits; and
- investment by the enterprise in workforce capability development is commensurate with the size of the enterprise.

It is important that a ‘one size fits all’ approach is not implemented, where ACPET members have advised that many small businesses who are accessing training services, are not able to provide a contribution, where a larger employer may have the capacity and economies of scale to make a contribution cost effective.

As well, the changing nature of the workforce is seeing increasing levels of employee mobility, with some ACPET members reporting that employers are reluctant to pay a contribution towards the achievement of portable qualifications. As such, a funding mechanism that incorporates enterprise contributions requires further investigation into its applicability and suitability for the Victorian market.
2. The National VET Reform Agenda

What are the implications of Victoria’s commitments at a national level for the design of Victoria’s funding mechanism and fee structures?

ACPET supports COAG’s *National Agreement for Skills and Workforce Development*. It reinforces that there should be increased student choice to promote greater responsiveness in the VET market, enabling learning to be tailored to the diverse needs of individuals to make informed choices:

- every citizen has an opportunity to acquire knowledge and skills through tertiary education, to better enable them to gain meaningful employment;
- Government has a responsibility to ensure public funding to support the national interest; and
- individual choice is enhanced by a diversity of supply.

3. Principles for the Review

Are the principles for the Review sufficient?

Are there additional principles that should be used to examine the efficiency and effectiveness of the current arrangements and assess alternatives?

Are some of these principles more important than others?

Might different principles apply in different ways in different parts of the VET system?

ACPET supports the principles identified by the ESC. All principles are important, however it is essential that the system is easy for the students, providers and employers to understand and apply, ie. Principle 2: ‘Clarity’. ACPET is therefore not of the view that different principles might apply in different ways in different parts of the VET system and believes that the Government must strive to achieve clarity for all stakeholders and users.

As well, Principle 3: ‘Certainty’ is critical in supporting private providers, the largest segment of the Victorian training market, to plan and resource adequately. This cannot occur when windows for funding and unsure.

ACPET believes that the principle of ‘Fairness’ needs to be also considered by the ESC as part of this Review. ACPET believes that all Victorians have a basic entitlement to Government support for their education and that their individual right to choose a provider that best suits their training needs should not undermine this entitlement.
This would ensure that:

- students are treated the same way, whether they enrol in public TAFE institutions or private RTOs;
- more choice for all students is created in the future by reducing course costs and helping more diverse institutions to compete in the market; and
- diversity and quality of VET institutions is encouraged.

In addition, ACPET believes that the principle of ‘Transparency’ is important. The public institutions enjoy additional weightings on training hours together with infrastructure funding. ACPET believes that in the interest of a fair and equitable platform, these allocations should be made public.

**Eligibility for a Government Subsidised Training Place**

**The Victorian Training Guarantee**

**What evidence is there of the impact that the eligibility criteria for access to a government subsidised training place have on a student’s decision to enrol in, and complete, training?**

**Is the current exemptions arrangement the best way of helping people who fall within these categories to access VET?**

**How well does the eligibility criteria align with the principles outlined in Section 2.3?**

ACPET is aware that individuals, as potential students at stages of their life, as well as employers, should have access to clear information on education choices and delivery options.

Potential students have a range of important information sources to help them assess work and education interests. These include jobs on offer, pay levels, conditions and whether types of work promise futures that they seek if they invest time and money in post-school education.

The eligibility criteria play a role in how and why the students select particular courses.

ACPET members have identified issues related to the eligibility criteria for access to Government subsidised training places that affect students’ decisions to enrol in and/or complete training. These include:

*a) Time Restrictions imposed on eligibility to Train*

Students who undertook qualifications years ago (e.g. Advanced Certificate of Secretarial Studies which equates to Certificate IV) are now ineligible for Government funding other than
Diplomas and above. As many courses have a prerequisite of Certificate III or Certificate IV before undertaking a Diploma, students are priced out of this course due to a qualification they may have attained many years previously.

b) Restrictions affecting Transferability across Industry Sectors
People with a desire to retrain are precluded from doing so if they have a higher Certificate level, therefore are unable to move into new industries and other employment opportunities.

c) The Government has identified Skills Shortages in particular areas, yet it precludes People wishing to Retrain and move into these areas
For example, people wishing to train or retrain as aged and child care workers (recognised areas of skills shortage), who hold a previous Certificate III or above level of qualification, cannot access Government funding at present, as the entry qualification for employment is a Certificate III.

d) Restrictions for the Unemployed and other Disadvantaged Cohorts
Once again, the eligibility criteria restrict the unemployed and disadvantaged to access training, if they hold a similar or higher qualification level. It is noted that providers were granted a capped number of exemptions from the eligibility criteria, however it is believed that most private providers received only one exemption in 2011. The policy for distribution of exemptions should therefore be reviewed, especially for providers based in identified areas of high unemployment.

Is it appropriate that training providers be placed in a position of assessing whether an exemption should be provided?

ACPET considers it reasonable for a training provider to assess whether an exemption from the eligibility criteria is provided. As well, providers may grant a fee concession in cases of ‘extreme hardship’, which is also considered an appropriate mechanism. However the term ‘extreme hardship’ is not defined and is causing inconsistency of application across ACPET members. In the interest of Principle 5: ‘Consistency’ (Section 2.3), it is recommended that clear guidelines are developed to support providers and the compliance of this business rule.

It should be noted that providers can only use the information provided by a student at enrolment. While the provider asks pertinent questions, they can only make an assessment
based on the information disclosed by the student. Providers should not therefore be penalised at a later date should the information provided by the student be identified as false.

**Should a cap on the number of subsidised places be reintroduced for some courses? If so, how should these courses be determined?**

ACPET favours a full user choice demand led system without allocated caps on subsidised places. However Government could gain better value for money by providing incentives for individuals to study in areas of skill shortage and disincentives for individuals to study in areas where there is a saturated employment market.

**What role do, or should, industry and employers play in funding employees who do not fit within the eligibility criteria?**

Refer to ACPET’s response to the Question: “Are there other ways or mechanisms for achieving the objectives outside of fee and funding arrangements?” (p.15).

It is important to note that for the most disenfranchised cohort of the community, the long term unemployed, by the nature of their own predicament they:

- a) do not have an employer to fund their further education; and
- b) are not part of an industry (some industries do not have peak bodies nor associations).

**Do the eligibility criteria need to be revised to better achieve the objectives of the training system? What implications would any such revisions have on the affordability of the system for government?**

As previously highlighted, ACPET believes that the eligibility criteria should be revised to support in particular:

- those wishing to retrain for a new industry, especially in declining industries and those retrenched due to industry closures;
- those who have qualified > 10 years ago now wishing to undertake a career change but due to their prior qualifications they are precluded from up-skilling eligibility;
- those wishing to train for skill shortage industries; and
- the unemployed and most disadvantaged community members.
Does the Victorian Training Guarantee provide effective access to students who need to develop literacy, numeracy and language skills to participate in the workforce? Is the specified list of courses within the Foundation category appropriate?

ACPET endorses Government’s position which allows an individual to study a Foundation Skills course at any time, using a Government funded training place and believes that the current suite of Foundation Skills courses is appropriate.

However, throughout ACPET members, a significant number of students are identified with language, literacy and numeracy difficulties on a regular basis. This is an essential learning need that requires additional services to be administered by the provider (notwithstanding that this is an AQTF and VRQA requirement). It is understood that these services are funded within the public training sector through the additional weighting/infrastructure formula. ACPET strongly believes that the current Skills Creation and Skills Deepening funding levels for the private sector do not adequately support these services and requests a more rational and equitable funding model to better support the students that chose to study at a private institution.

4. Tuition Fees

Does the variation of fees reflect increased private benefit from higher level courses? Is this the best way of achieving the objectives of the Victorian Training System? How reflective are the current tuition fees of public and private benefit?

Anecdotally, students paying higher fees associated with higher level courses, do not directly correlate their fee with private benefit. ACPET is working with the ESC to organise a student focus group in early July, where this question may be better answered.

In some industries, for example, children’s services, new regulation, which comes into play in 2012, will demand compulsory Diploma level trained workers within child care centres, with the current employment entry requisite of the Certificate III converted to a pre-requisite training course only. As such, the Diploma qualification will be the ‘base’ requisite for entry into this industry and therefore the public benefit is arguably higher.

As well, the current capping of tuition fees disadvantages providers that enrol towards the end of a year, where students have reached their maximum cap. For some students, for example, the longer term unemployed, undertaking more than one or two courses is beneficial in supporting their job readiness program.
Should the tuition fee structure provide incentives to undertake training in priority areas, such as areas of skill shortages? If so, what should the tuition fee structure look like?

ACPET is of the view that tuition fee structure incentives that support priority areas may influence better take up of places for these industries. However some industries experiencing skill shortages are burdened with other contributing factors eg the various occupations linked to manufacturing industries continue to suffer an image problem with youth; and poorer employment conditions and remuneration arrangements. The introduction of fee structure incentives is therefore only one strategy that may alleviate skill shortages.

As previously indicated, ACPET is concerned about the unemployed people’s access to subsidized training. Government could consider providing full fee waiver for unemployed people who opt to train and re-train in skill shortage areas.

Even where Government planning delivers people into specific training priority areas, the reality remains that most people do not continue in the career they initially trained for. By recognising the reality of this ‘churn’ and providing better information to individuals to support them in their skill development choices, Government is likely in the longer term to produce more people with the skills needed for the economy. Accordingly, ACPET believes that Government tuition fee policy could better influence the range of training that is selected by students in saturated employment markets, to provide better value for money. This could be achieved through a scaled fee structure, where lower priority industries attract a higher student contribution.

How well does the tuition fee structure align with the principles outlined in section 2.3?

The current tuition fee structure does not align with Principle 1: ‘Simplicity”; Principle 2: “Clarity”; nor Principle 3: “Consistency”. ACPET agrees there is a need to adjust and simplify training tuition fee arrangements. It is important those developing the model consider complications that arise as new schemes are tacked on to underlying rules. Layers of rules increase administration costs and also create difficulties in advising students. ACPET considers the vital first stage is to develop underlying principles of a coherent model, and then to develop new policies to ensure the principles of the system are met and maintained. These policies, for the sake of Simplicity, Clarity and Consistency, must apply across the VET sector.
To what extent should the arrangements for VET tuition fees be consistent with schools and the higher education sector?

As indicated, ACPET appreciates that Government could obtain better value for money through shaping VET tuition fees to balance:

- training delivered for skills in demand with that delivered for saturated markets; and
- qualification delivery proportional to cost.

Currently, Commonwealth funding arrangements for higher education at bachelor level see different funding and subsidy levels for different fields of study. The policy rationale is built on the premise that the cost of delivering qualifications differs depending on infrastructure requirements, and some fields of study require higher subsidies to attract students. A similar rationale could be applicable within the VET market and could also be considered to reduce financial barriers for students looking to obtain qualifications in high skill areas they are passionate about but cannot afford. ACPET reinforces that any tuition fee arrangement that is implemented must be transparent and equally applied across the VET market.

Does the current tuition fee structure influence students’ decisions about course enrolment or completion? If so, how and to what extent?

ACPET is working with the ESC to organise a student focus group in early July, where this question may be better answered.

What other factors influence students’ decision to participate in VET?

ACPET is working with the ESC to organise a student focus group in early July, where this question may be better answered.

Does the current tuition fee structure influence providers’ decisions about the training courses to offer? If so, how and to what extent? How does this impact on the skills needed by industry?

The top five industry areas of private training delivery by ACPET members in Victoria are:

- Business and Clerical Studies;
- Community Services, Health and Education;
- Automotive;
- English Language/ELICOS; and

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Tourism and Hospitality.

This is as a direct result of industry and community demand with a strong alignment to local industry.

Is using an hourly rate for calculating tuition fees the best way of achieving the objectives of the Victorian Training System?

ACPET recommends that any tuition fee structure be influenced by the ESC Review’s Principle 1: ‘Simplicity” and Principle 2: “Clarity”. ACPET prefers a flat rate that is administered equitably by all providers, including public.

Minimum and maximum tuition fees
For what percentage of enrolments does either the specified minimum or maximum come into play? What impact do they have on students and providers?

What incentives (for students, employers and providers) are created by specifying minimum and maximum fee levels? How might students and providers respond if these upper and lower limits were removed?

Is there sufficient flexibility in the tuition fee structure for providers to compete on price? Is there evidence that this is occurring?

Imposing a maximum fee cost distorts student choice and risks pushing providers to offering courses that are lower cost to run with less infrastructure requirements etc.

While the Government is entitled to cap its maximum contribution for an individual student from there it should allow:

- students to choose a course and have their entitlement applied to that course; and
- providers to realistically set the price of their course at a level that is an incentive for quality delivery.

The current model has barriers to entry for a number of providers delivering in areas requiring higher levels of infrastructure and/or intensive face to face delivery. Both the funding levels and the cap prevent them from participating in the VTS.

ACPET members have indicated that students select a training provider on a range of factors including tuition fees. These include location; courses on offer; availability of a training place
that accommodates the student’s other commitments, such as family; client satisfaction (ie. word of mouth referrals); etc.

Private providers also have advised that:
- Health Card holders cannot afford the maximum fee;
- students may be locked out of a course as it costs more in tuition fees than at TAFE (eg. currently students wishing to study a Diploma may be granted a fee exemption (if eligible) however this does not apply for private providers); and
- the minimum tuition fee has increased in 2010 – minimum fees need to be kept under control, and need to be realistic for the clientele.

**Should minimums, maximums and the annual cap apply only to certain student cohorts or to particular courses?**

ACPET believes that minimum, maximum and the annual cap should not apply, or if they are required, should only be to specific cohorts or courses, for example, to influence a student to enrol in a qualification related to an identified skill shortage. Government should be able to exert some influence on enrolments for particular industries, to provide better balancing of labour market supply with skills in demand. ACPET believes that this is a more responsible and sustainable position. There is little gain when a student uses their training entitlement to undertake a qualification that does not support their career goals.

As well, students should be able to choose a provider, who is not restricted by a maximum fee because they offer a higher quality course offering:- this is arguably a truer implementation of user choice.

Once again, it is also important that tuition fee policy is applied equitably across the VET market in VIC.

**Fee concessions, waivers and loans**

**What are the advantages and disadvantages of the current concession categories? What evidence is there to suggest that concessions should be available to other categories of students who do not hold Commonwealth Health Care, Veterans or Pensioner Cards?**

ACPET believes that through its social inclusion agenda, Government should ensure accessibility to subsidized training places for disadvantaged community members. It therefore strongly advocates for a widening of concession categories of students. This should, at the very least,
include the unemployed (recently unemployed do not receive a Health Care card for a period of time); and those wishing to re-enter the workforce, such as parents and carers.

**How frequently do training providers grant discretionary concessions on the grounds of extreme hardship? Is there a need for more formal or prescribed arrangements for situations of extreme hardship?**

As previously stated, the term ‘extreme hardship’ is not defined and is causing inconsistency of application across ACPET members. In the interest of Principle 5: ‘Consistency’ (Section 2.3), it is recommended that clear guidelines are developed to support providers and the compliance of this business rule.

**Are the current arrangements for concession fee reimbursement effective in ensuring concessions are made available to all eligible students?**

The current arrangement is not transparent. Regardless of the number of concessions which are provided in any given year, there is no assurance that the provider will be fully reimbursed. The current reimbursement arrangement is budget driven and depends on the number of concessions granted across the Victorian provider system against the allocated budget. This results in providers receiving a proportion of reimbursements. This can act as a disincentive in providing concessions.

**How well do the tuition fee concession arrangements align with the principles outlined in section 2.3?**

ACPET believes that the tuition fee concession arrangement aligns with the Review’s principles.

5. Funding VET Delivery

The Student Contact Hour funding model

**How well does using the Student Contact Hour as the basis for funding achieve the objectives of the training system?**

**Would use of an outcomes based measure better achieve the objectives? If so, what outcomes are important and what measures would be appropriate? What would be the implications of adopting an outcome based approach?**

As previously indicated, ACPET is concerned with the lack of consistency in the student contact hour funding between the public and private sectors. It is possible that TAFEs need to maintain
a wider scope of qualifications. In response ACPET however would suggest that this goes against the grain of demand driven funding (ie. if there is limited to no demand then why compensate TAFEs at a greater hourly rate across the board for all courses?).

ACPET is also concerned by the decreasing hourly student contact (SCH) funding rate over the last 30 years. In 1981, the funding rate per hour was $9.62. In 2011, the funding rate is $9.24, indicating a drop of 28.3%. In comparison, TAFEs have maintained a higher rate over this period, experiencing a drop of only 12%. A provider reported a significant reduction in funding rates over the 2010 and 2011 calendar year period, where the suite of training delivered to the meat and food processing industries experienced a drop in funding from $9.31 to $7.70 per SCH, without any justification or alert. This practice is not conducive to achieving quality and sustainable training and has placed the provider at financial risk.

Over the years, due to higher compliance measures imposed on the training sector, private providers need to meet many additional expenses, which are not supported financially by Government. This includes the recent introduction of the new Teaching Award for staff and the VRQA’s additional requirements.

ACPET understands there is a history of Victorian TAFE investment, delivery and public roles, and its recognition in the community for quality education and training to consider. However Victoria has seen positive change and strong user outcomes with the opening of market-places to competition. Private providers deliver responsive, effective, quality training, as verified through regulatory audits, market feedback, and rising custom by individuals and employers. Fair competition and competitive neutrality are key.

Higher subsidy rates need close scrutiny. TAFE governance changes should increase autonomy and accountability equally. Clear public returns should be expected from differential costs associated with public ownership. The future could well depend on different models, and the flow of public funds should facilitate emergence of these models. ACPET advocates full contestability where competitive neutrality principles operate, and keeping an open-mind on mix of public and private provision.

ACPET supports a funding model which is transparent across the sector and which enables quality service delivery, whilst meeting the Victorian Government’s objectives. It may be argued that the current model is outcome based, as providers may only claim once a student has completed and has been deemed competent against a Unit’s requirements. This model allows a student to study a given skill sets in preparation for employment, rather than
necessitating the completion of a full qualification, in line with Skills Australia’s preference\textsuperscript{12}. As well, this model supports a provider’s cash flow and lowers their financial pressures and associated risks.

ACPET does not support a model where payment occurs at the completion of a full qualification. This will potentially add financial strain across the system.

Historically, the KPI related to education and training has been Unit/course completion. Should this outcome be re-classified, for example, to include employment, and in order to encourage providers, both public and private, to meet this KPI, an incentivised funding model could be introduced. This could include an employment placement bonus.

**What factors may influence student completion rates and other outcome based measures?**

The VET system should provide students and learners who are seeking to obtain a full qualification with an environment that is conducive to reaching their goal. The VET system and associated regulatory and funding framework should ensure that RTOs are focussed on delivering training to students which is supported by:

- access to high quality training and learning materials;
- appropriate learning infrastructure; and
- highly skilled trainers and assessors that have industry currency and are committed to professional development.

These factors combined with an improvement in student selection processes will mean that the students will have the opportunity to undertake qualifications of interest and benefit to them in a high quality RTO. It should be noted that a key component of Higher Education academic governance is student selection. However student selection processes within many RTOs are given a lower priority and the AQTF is virtually silent on this matter. It is critical that effective selection processes are used to ensure that students entering qualifications have the capacity and skills to complete the qualification. If the student is considered unable to complete the selected qualification, they should be directed towards a more suitable alternative qualification. For instance, a student that may struggle with the requirements of a Certificate IV may be better placed to undertake a Certificate II qualification, spend time in the workforce and then return, with the relevant knowledge and skills, to successfully complete the Certificate IV.

\textsuperscript{12} Skills for Prosperity, Skills Australia, 2011
ACPET is aware of a range of reasons for non-completion which have also been identified in the recent study undertaken by Service Skills Australia\textsuperscript{13}. These include:

- resignation from job;
- change of employment;
- promotion in place of employment;
- termination of job;
- inability to balance work and study;
- change of course;
- financial difficulties;
- too far to travel; and
- study was too difficult.

The issue of completions (and non-completions) in the VET sector has recently been much discussed by the NCVER, Service Skills Australia, other researchers, and by the media, with a number of assumptions about the reasons for the presumed high rate of non-completions in Australia. However, as Grant (2002)\textsuperscript{14} noted, “there is no systemic national or state measurement of course completion rates, and it has been noted that the AVETMISS method for recording non-completions is flawed\textsuperscript{15}.

ACPET contends that although qualification completions should be an issue of concern, this is not always a fair measure of the quality of the RTO’s performance, as qualification completion is not always the sole objective. Funding linked to whole qualifications may lead to perverse outcomes as some students who enrol into full qualification programs in reality only wish to study a few individual units or skills set, thus achieving their desired, and in some instances, an employer’s goal.

Measuring performance based on completions may also drive RTOs to be more selective in their enrolments and not offer places to students who traditionally are at highest risk of non-completion, eg. those with LLN needs or from Indigenous backgrounds.

\textsuperscript{13} Mitchell J & Associates, \textit{The Benefits of accurately measuring Non-completions}. Services Skills Australia, 2011

\textsuperscript{14} Grant, P. 2002, \textit{Staying on Course – Factors which impact on students’ completing their courses}. NCVER, Adelaide.

\textsuperscript{15} Mitchell J & Associates, \textit{The Benefits of accurately measuring Non-Completions}. Service Skills Australia, 2011
The Weighted Training Hour Model

To what extent do the current sector and cohort weightings help achieve the objectives of the Victorian Training System?

What process and information should be used to determine the weightings?

ACPET believes that the current system used for calculating weightings is hereditary and distorts the level playing field. In real terms, delivery costs have increased together with compliance costs, through the introduction of the VRQA’s VET requirements in July 2010. Consequently, ACPET requests that the weighted training hour model be reviewed.

ACPET suggests that the following criteria be considered in determining weightings:

- there are greater costs for face-to-face and workplace delivery than for online delivery (for example, courses such as commercial cookery, hairdressing are almost completely delivered by face-to-face and workplace delivery, other practical activities such as sheep shearing involve staff visits); and
- recognition that some students have special needs eg high student-teacher/trainer ratios, need for mentor and extra support (eg disadvantaged/disabled students).

Currently private VET institutions receive no funding for infrastructure investment, despite providing significant investment to ensure high quality facilities, such as commercial kitchens; automotive and construction facilities. TAFE receives large Government funding for its infrastructure, which the private sector cannot access. ACPET calls for a functional separation between infrastructure and service provision to promote equal access to infrastructure and/or infrastructure funding. The TAFE infrastructure is large and well-developed, funded by public tax payers eg. the TAFE Development Centre (TDC) has up to date facilities that remain closed or under-utilised on week-ends. The private sector would like to share these facilities.

ACPET believes that structural separation between purchasers, owners and regulators within the industry may be achieved through the adoption of the following policy actions:

- the cost of publicly funded infrastructure to be made transparent within service delivery costs; and
- publicly funded infrastructure such as libraries and classrooms to be made available to public and private enterprises at cost recovery.
Should the funding model take into account the different costs incurred by different providers in delivering the same course (for example, regional providers) or through different delivery modes (for example, off campus)? What impact might such differentiation have on provider incentives?

Weighted training is particularly important:

- in skills deficit areas;
- in areas where delivery is more expensive (face-to-face or off-campus eg. involving visits in agriculture where trainers need to travel big distances and where there are high material costs, for example, hairdressing); and
- for disadvantaged students, such as people with disabilities and people with lower levels of language, literacy and numeracy.

Higher-Need Learners

How well do the current funding and fee arrangements cater for higher-need learners? If not, how could the funding mechanism be improved? In answering this question, please identify who we should regard as a ‘higher-need learner’?

As previously highlighted, any training entitlement should open access to VET for a wider range of Victorians, but particular investment will be needed to support public and private providers in maintaining quality teaching and care systems to assure successful outcomes for certain groups. The Dusseldorp Foundation has studied unemployed youth, and notes for instance, that while the Australian economy offers incentive to work, training systems have raised barriers: it is more of a mixed picture ... when considering the detail of how well our education and training pathways are organised, and the quality of work-based learning opportunities, safety nets (for those at risk), information and guidance, and transition processes\(^\text{16}\). The higher costs of special attention for some to achieve skills outcomes need to be recognised in student and provider funding arrangements.

ACPET providers have a record of delivering programs to diverse groups with different learning needs. As previously stated, ACPET is concerned with the current funding and fee arrangements in supporting higher need learners. Higher need learners include:

- the unemployed;
- people with disabilities;
- youth at risk;
- prisoners;
- people with low levels of language, literacy and numeracy;

\(^{16}\) Dusseldorp Foundation, *It’s Crunch Time, Raising Youth Engagement and Attainment*, 2007
• Indigenous;
• parents returning to study.

The higher costs of additional and expert attention to achieve skills outcomes need to be recognised in student and provider funding arrangements. Funding models need to take into consideration the cost of the provision of “soft skills” and “support” to students who experience difficulties in the learning process or who come from disadvantaged backgrounds. Whilst this may be a funding challenge, it would provide real benefits in ensuring that students receive the highest quality learning environment.

It is important that public funding levels recognise the need for quality in training (including effectiveness and usefulness). This is vital for less-advantaged individuals venturing into training pathways. The challenge is to achieve quality meaningful outcomes for all students, whether they are enrolled at public or at private institutions.

Are there additional costs that training providers incur in delivering training to higher-need learners? If so, what types of costs are incurred and how material are these additional costs?

Dealing with problems of cumulative disadvantage can be lengthy and costly. Years of investment may be needed to re-engage marginalised groups, such as Indigenous youth, and encourage their learning. Some of the costs associated to engaging higher need learners in VET involve significant investment in:

• professional development of teachers;
• expert support staff, for example, catering for people with disabilities and lower levels of language;
• designated pastoral care staff. Research shows that good relationships form the basis for high retention rates with these cohorts; and
• learning and assessment strategy adjustments, eg more tutorials, more practical assessments requiring more intensive trainer time; etc.

In many instances, when delivering training to the most disadvantaged community members, it requires almost double the staffing resources, to support student retention and completion (refer to Case Study below).
CASE STUDY: Victorian 2011 Small Training Provider of the Year, ACPET’s Delivering on Access and Equity across Australia, June 2011

The story of Spectrum Education and Training (SET) is a story of how a small client-focused business, which is genuinely an integral part of its community, can prosper. SET was established in 2007 to help people from migrant and refugee backgrounds get skills to settle into Australian business and community life. In this short time, SET has provided training to over 1,000 students from 20 different cultural backgrounds. It has consistently achieved a retention rate of between 90% and 95% employment outcomes.

Spectrum’s Manager says: “SET has become known for its local labour market links as well as its strengths-based approach. We value diversity and appreciate what each individual brings to their training. We see our students’ bilingual skills as an important asset. SET has embraced the social inclusion agenda and is setting the standards that others aspire to. SET has won a host of awards including 2010 Victorian Small Training Provider of the Year. Its approach includes employing bilingual staff, offering small classes, individualised training plans, mentors and a designated pastoral care and support Coordinator.”

This approach is working for the students. Former student, Kidst, fled Ethiopia after walking days through the desert. She says: “When I arrived in Australia, I had nothing. I was offered a course at Spectrum and have just finished the Certificate III in Aged Care... I want to work helping people, to give something back.”

Rehan, a 63-year old refugee from Iraq, puts it simply:

“With Spectrum, I got my dignity back.”
Thin Markets
What evidence exists that thin markets are a problem?

Is it important to ensure that thin markets are catered for? If so, who should be responsible — government, providers or industry?

What is the best way of addressing any thin market problems and what implications might this have for other parts of the VET system and funding framework?

Thin and niche markets occur in various scenarios including where there is:

- a significant number of training providers, a wide range of courses and a limited number of students; and
- a niche market, serviced by a limited number of providers, for example, mining and racing.

Both these scenarios are naturally appearing in areas/industries serviced by some ACPET members, especially those delivering in regional and remote areas. Since 1999, regional Victoria has changed fundamentally, through a fast changing economy, from one based on agriculture and resources to a more diverse, modern industrialised regional economy with closer links and interdependence between the regions and Melbourne. However, as stated in the Report advising on the Development of the Victorian Tertiary Education Plan there are major challenges in extending and strengthening tertiary education in regional and outer urban settings.

The cost associated with delivery in thin markets is greater than other markets, as:

- it is difficult to access and retain experts with industry knowledge (because of the shortage, the remuneration demanded is higher);
- the scarcity of students increases the cost of delivery; and
- the smaller class size reduces break even margins.

Consistent with its view about funding mechanisms, ACPET believes that thin markets must be catered for, supported by a partnership between Government, industry and the individual. It is important that the unique characteristics of thin markets are recognised and that funding is appropriately provided to ensure quality delivery. One option is to allocate weightings to thin and niche markets.

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17 Skills Victoria, 2009, Report advising on the development of the Victorian Tertiary Education Plan