2012–13 Pre-Budget Submission (Federal)

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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 and innovation in Australian education and training. It represents a range of independent providers, including commercial and not-for-profit entities, community groups, and industry and enterprise-based organisations. ACPET works with governments, other education and training providers, 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 providing for choice and diversity.

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

ACPET welcomes the opportunity to respond to the Department of the Treasury request for a submission on its ideas and identified priorities for the 2012-13 Budget. This submission provides recommendations on two facets of Australia’s tertiary education market. Firstly, this submission looks at how industry and individuals can be supported and efficiencies gained without the loss of quality, in the delivery of tertiary education; and secondly, the policy settings relating to Australia’s international education market.

This pre-budget consultation is an important opportunity to contribute to the national dialogue on policies which encompass teacher quality, accountability, choice, the reality of the evolving education and training landscape in Australia; and public-private funding partnerships. ACPET is encouraged to note the receptivity of the Australian Government to foster discourse of this calibre to improve policy outcomes in the Australian tertiary education system.

Five principles underlie this submission. ACPET asserts that these underpin a road map to greater efficiency, effectiveness and equity for Australia’s tertiary education system. We believe that the adoption of these principles will help move the tertiary education market closer to a fully competitive market, remove the dead weight loss that currently exists within the market and will ensure that government policy is supporting a market that best serves the Australian taxpayer. These principles are:

1. Increased student choice to promote greater responsiveness in the education market, enabling learning to be tailored to the diverse needs of individuals
2. Supporting enterprises to invest in knowledge and skill development of their existing and future workforce, to increase national capability and productivity
3. Fair and equitable regulation to better preserve and enhance the desired standards for quality in learning outcomes and the viability of public and private institutions
4. Structural separation to promote more efficient and effective use of public funds, through greater transparency, increased competition and clearer incentives
5. Improved quality and performance of all professional staff to underpin greater quality and accountability of education and related service provision to individuals.

ACPET’s recommendations below are also underpinned by factors which differ between and within the States and Territories and which should be factored into federal budget decisions.
Recommendations

Recommendation 1
ACPET recommends that the Federal government maintain its funding commitment to the implementation of a robust, consistent, demand-driven model for the national vocational education and training (VET) sector and that this commitment be maintained beyond the expiration dates of current national and jurisdictional policy statements.

Recommendation 2
ACPET recommends that the Federal government ensure adequate funding to ensure the application of an efficient, consistent auditing and regulatory approach to public and private tertiary education providers and in which the quality of education and training remain paramount.

Recommendation 3
ACPET recommends that the Federal government allocate funding towards reviewing the current weighting model which weighs Registered Training Organisation (RTO) funding against qualification completions.

Recommendation 4
ACPET recommends that the Federal government allocate funding which allows for the design of a student entitlement system to provide for quality delivery in regional, rural and remote areas and provide for higher needs learners and thin and niche market areas.

Recommendation 5
ACPET recommends that the Federal government allocate funding in a manner which ensures the structural separation of infrastructure and service delivery funding.

Recommendation 6
ACPET recommends that the Federal Government allocate funding which allows for the establishment of a government and public/private provider co-investment model for the professional development of the VET practitioner workforce.

Recommendation 7
ACPET recommends that the Federal Government allocate funding that allows for the effective implementation of the recommendations of the Knight Review of the Student Visa Program.
Australian economy, skills needs, government reform policy and agreements

It is well known and has been widely documented that the structure of the Australian economy is changing, moving away from a manufacturing base. Global competition means that Australia’s traditional industrial platform must be transformed to be more services and innovation oriented. The past decade has seen substantial changes in the Australian economy, workplaces, workers and their expectations of work; and in the demographics of the current and evolving workforce.

Education for work is recognised as vital to Australia’s productivity agenda and performance of the Vocational Education and Training (VET) system is critical to advance the productivity of the Australian workforce and secure its future prosperity. The need for the VET system to continue evolving as a responsive, effective and efficient delivery of education and training has been recognised at Federal and State levels.

The Council of Australian Governments (COAG), as well as employers and individuals, are investing in change programs in the VET sector to substantially lift workforce participation, worker productivity and capacity to meet future needs.
The national COAG VET reform agenda

COAG VET reforms are implemented through the National Agreement for Skills and Workforce Development (NASWD) and a range of national partnership agreements. The COAG VET agenda reflects three key themes:

1. Working-age Australians need the necessary skills to fully participate in the modern labour market and need assistance, as necessary, to overcome barriers to education and employment

2. The VET system needs to be responsive to changing labour market demand and help to drive productivity through skills utilisation

3. Related to the above, Australian industry and businesses have a key role in the development, harnessing and utilising of the skills and abilities of the workforce to foster productivity and prosperity in Australia.

The six key reform areas COAG has identified for VET are:

1. A more flexible and demand-driven system, with greater contestability of funding for public education and training and greater competition between providers

2. Encouraging participation of disadvantaged students, with a focus on regional and remote area provision

3. Increasing take-up of higher-level qualifications to improve workforce productivity and resilience, and learning outcome standards

4. Stronger pathways between the VET and Higher Education (HE) sectors

5. Greater transparency and accountability to support informed choices by employers and students around their education provider choices

6. Improved quality of the VET sector, through the new regulatory body arrangements, a renewed focus on VET teacher professional development; and the introduction of stronger quality measures for VET providers.

ACPET is a strong advocate for the timely and robust implementation of the skills reforms agreed to by COAG in 2009. The ACPET position on these six reform areas as they relate to federal budget measures is broadly outlined below in this submission.

The implementation of a demand-driven system with greater contestability of funding is a key component of the national VET reform agenda. ACPET believes that within agreed cost parameters, governments should support individuals in their choice of training provider and should not limit individual choices through funding decisions based on the presumption that any one provider type has pre-eminent rights to the ‘ownership’ of education – which exists in the public domain – and to exclusive rights over education provision. A central thrust of this submission is ACPET’s advocacy for the implementation of a robust, consistent, demand-driven model for VET to achieve the targets of the national VET reform agenda to reinvigorate Australia’s workforce productivity and secure its prosperity, following the lead of Victoria and underpinned by strategically focused, federal funding.
ACPET’s position on the implementation of the national COAG VET reform agenda

ACPET’s position on the implementation of the COAG reform agenda, and how this relates to federal budget foci and measures, is broadly outlined below under the six key COAG VET reform areas.

1. A more flexible and demand-driven system, with greater contestability of funding for public education and training and greater competition between providers

ACPET supports the view that entitlement funding motivates and increases demand from individuals to ensure the supply of skills. The early indications from the implementation of VET reform in Victoria, which has seen a solid increase in demand from individuals in areas of skills needs, uphold this view. This submission provides greater detail, as outlined in the summary below of Victoria’s implementation of VET reform.

ACPET believes that to be effective, the demand-led model requires that base funding be guaranteed. This has been estimated by Skills Australia to be 3 percent per annum, accumulating to keep pace with industry growth and projected industry demand, and to fulfil COAG targets.

ACPET believes that the education and training market should be properly funded so that the load of delivery in thin and niche markets, and to disadvantaged students, may be distributed equally across private and public providers.

2. Encouraging participation of disadvantaged students, with a focus on regional and remote area provision

Flexible support services and possibly enhanced funding are necessary to improve workforce participation rates for disadvantaged and disengaged individuals. ACPET is of the view that this would generate clear dividends on budget investment in terms of increased participation and reduced income and other support payments.

Contestability for a greater share of public funds would mean that the private sector could expand its delivery of skills training to disadvantaged students, particularly in rural and remote areas, as student demand increased. Such expansion would be supported by providers’ harnessing the significant possibilities offered by the National Broadband Network (NBN), allowing for innovative teaching and learning models that provide greater accessibility to education and training and promote learning success.

To properly address disadvantage related to inadequate foundation skills, ACPET urges the Federal Government to ensure that funding supports new models of collaboration and flexible use of resources across public and private provider, so as to take place on a systematic and streamlined basis. The marked increase in private provider enrolments of students from disadvantaged backgrounds in Victoria since the implementation of VET reform, as well as existing evidence under current and previous funding models elsewhere in Australia, demonstrates the need for these choices to be matched by appropriately allocated and shared resources and infrastructure.

3. Increasing take-up of higher-level qualifications to improve workforce productivity and resilience, and learning outcome standards

Current and projected global economic challenges to workforce productivity are driving industry demand for higher skilled workers. In the Australian workforce environment where individuals with vocational education qualifications compete with individuals with higher
education qualifications for the same positions, individuals’ learning and career pathways need to be developed and supported.

ACPET is of the view that funding should be allocated to support the development of individuals’ pathways towards taking up higher-level qualifications, whether this relates to study costs themselves or the support that may be required to sustain individuals’ learning commitments.

4. **Stronger pathways between the VET and HE sectors**

The Australian Qualification Framework (AQF) national policy framework brings all of Australia’s education and training qualifications into one comprehensive structure which underpins the Australian qualification system. It provides for national recognition and a consistent understanding across all jurisdictions of what defines each qualification type. The AQF supports the development of pathways which provide access to qualifications and assist people to move readily between different education and training sectors, streamlining educational pathways and reducing duplication and wasted effort.

However, pathways arrangements are consistently undermined by the formation of barriers arising from the complexity of articulation arrangements, cost and lack of intersectoral dialogue. The development of arrangements is also time consuming and costly.

The relevant national regulatory bodies – the Australian Skills Quality Authority (ASQA) and the National Skills Standards Council (NSSC) – need to have the institutional capacity to provide leadership which would ensure that all institutions that offer AQF Qualifications observe their regulatory obligations and adhere to the purpose of the AQF. This capacity, in a fast-changing regulatory and broader educational environment, is critical.

ACPET calls on the Federal Government to adequately fund the national regulatory bodies so that as strong, properly resourced bodies, they have the institutional and leadership capacity to carry out their functions effectively around the education sectors’ regulatory requirements.

5. **Greater transparency and accountability to support informed choices by employers and students around their education provider choices**

While all RTOs should provide publicly available data on key performance indicators, ACPET recommends that the Australian Government target funding efforts towards improving the Australian Quality Training Framework (AQTF) framework monitoring process and ensure regulatory consistency, rather than increase the burden on RTOs with more performance measure requirements.

Lack of coherence in national strategy, policy, regulation and standards remains; and with it, wastage and duplication of services. ACPET is of the opinion that government funding should focus on streamlining policy and reducing duplication, such as in Australian apprenticeship regulation.

6. **Improved quality of the VET sector, through the new regulatory body arrangements, a renewed focus on VET teacher professional development; and the introduction of stronger quality measures for VET providers**

Effective regulation is critical for ensuring quality and the recent establishment of the ASQA and the NSSC are seminal developments. At the same time, quality reform cannot be in the
hands of regulators alone. ACPET believes that a culture of continuous improvement and professional excellence needs to be developed complementary to strong regulation, underpinned by expanded initiatives such as

- an increased focus on VET teaching and learning quality
- data collection on individual RTO performance

The National Workforce Development Fund (NWDF), from which ACPET has received funding to support RTOs in the professional development of their workforce, is a significant national initiative supporting the development of greater industry workforce capacity and depth. ACPET recommends that the Federal Government ensure the ongoing funding of the NWDF.

Overview of reform implementation across the States and Territories

Implementation of the above reform areas is being progressively rolled out across the States and Territories. A number of states are closely monitoring the early indications of Victoria’s implementation of VET policy initiatives as they examine their own performances and delivery models in VET and consider how their own VET policy initiatives are to be carried out. There also still exists passivity or resistance to proposed mechanisms for addressing the challenges for lifting productivity and secure prosperity.

Victoria

From mid-2009, Victoria has been implementing its Securing jobs for Your Future – Skills for Victoria policy direction and change program, including

- opening up the education and training market to private providers through contestability funding
- committing to increasing education and training effort over four years
- providing entitlement to a government-subsidised place for people studying at a level higher than their previous qualification.

ACPET has worked closely with Victorian agencies in implementing changes – further evidence on the success of the Victorian reforms is provided later in this submission.

South Australia

South Australia is to commence implementing policy initiatives from mid 2012, under a new entitlement model and contestable funding in line with COAG’s commitment. Under the Skills for All strategic VET policy, $194 million has been committed over six years to create an additional 100,000 training places, along with reforms to modernise and revitalise the VET system in South Australia in response to individual and industry needs. The educational regulatory environment is also to be strengthened, with RTOs required to demonstrate strong industry links before accessing government funds.

New South Wales

NSW is taking the first steps in committing to priority actions to strengthen the NSW skill base, with a discussion paper Smart and Skilled: making NSW number one accompanying stakeholder consultation on how VET reform should be implemented in the state. The Department of Education and Communities has also been modelling the costs of implementing an entitlement model and greater competition for funding in NSW; and is expected to present the planned model at the first
2012 COAG’s meeting for implementation in line with the next Commonwealth-State funding agreement on 1 July 2012.

**Northern Territory**

The Australian Government released a Discussion paper in June 2011, *Stronger Futures in the Northern Territory*, setting out discussion points under key reform priorities, including education and employment access and opportunities. Policy plans on skills reform are to be developed after national consultation, with the aim of implementing arrangements by July 2013.

**Queensland**

Skills Queensland was established during 2010-2011 to provide industry leadership and ownership of Queensland’s skills and workforce development system. Within Skills Queensland, a Strategic Investment Fund was set up to enable industry and enterprises to influence where public funding for skills and workforce development is invested and shape the nature of the strategies implemented. In November 2011 a $90 million Strategic Investment Fund package was announced for companies and industry groups in key growth industries and regions in Queensland to deliver targeted skilling programs through providers of their choice for employees to improve their careers or for employment opportunities.

**Western Australia**

The Western Australia Department of Training and Workforce Development (DTWD) released a policy plan in 2010 on skills reform, *Skilling WA – A workforce development plan for Western Australia* in response to increasing skills and labour demand, driven by major resources and infrastructure projects. Priority actions were indentified under five strategic goals around increasing workforce participation, skilled migration, attraction and retention, skills development and planning and coordination. A progress report was released in November 2011 outlining achievements between January and June 2011 against the above goals. DTWD is currently considering the feasibility of adopting a demand-driven entitlement model.

**Tasmania**

Education reform in Tasmania is being guided by *Tasmanian Skills Strategy 2008-2015*, which identifies four broad skill development themes focusing on focus on employer and learner needs, with service providers supplying necessary support. The current focus of the Tasmanian government is on supporting the Tasmanian Polytechnic public provider network.

**ACT**

VET reform in the ACT is underpinned by the strategy paper, *Everyone Matters*, released in 2010 by the ACT Department of Education and Training (DET), which outlines priorities for a four-year period under DET’s key strategic goals around learning and teaching, school environment, student pathways and transitions, leadership and corporate development:

- Ensuring flexible, responsive vocationally-based training options to meet young peoples’ needs
- Engaging with industry and other stakeholders to identify demand and ensure relevant training and post-school options
- Improving retention rates by empowering students to shape their own learning and career pathways.
National Partnership Agreement on Productivity Places Program (NPAPPP)

From mid 2009, all of the States and Territories (except Victoria) have pursued the COAG targets and outcomes through the National Partnership Agreement on Productivity Places Program (NPAPPP), which provides for an additional 403,000 qualification commencements between 1 July 2009 and 30 June 2012. Enrolments have been restricted to courses on a national priority list, aligned with the goal of addressing skill shortages and emerging skill needs. Education and training places have been reserved for job seekers to study at Certificate II to Diploma levels.
Implementation of VET reform in Victoria

Victoria was listed in June 2011 by the National Training Information Services (NTIS) as having 1,080 RTOs, of which 1,071 were private training providers. The 9 publicly funded institutions comprise TAFE, the College of Adult Education (CAE) and the Adult Multicultural Education Services (AMES).

ACPET members in Victoria teach or train over 340,000 students (including both VET and HE), with approximately 88 percent being domestic students and 12 percent being international students.

The steadily evolving pattern of education and training delivery in Victoria, as in other jurisdictions, reflects the overall high quality of education and training and services delivered by private providers often without public funding for students. Strong service delivery has underpinned the growth of private education and training provision in such competitive, “word-of-mouth” marketplaces. The steady evolution of such patterns indicates a healthy response to on-the-ground market realities, complementary to a vigorous public education sector.

A recent report commissioned by the Victoria government identified key issues that were expected to influence industry performance and skill demands:

- Regulatory change
- Technological change
- Environmental and sustainability issues
- Australia’s ageing population and the expected “skills gap” to emerge with increased retirements

Since the implementation of reforms in Victoria in mid-2009, there has been 23 percent growth in government funded enrolments related to industries experiencing skills shortages, including health, social assistance and construction.

Likewise, the early indications are that the demand-led system is creating more opportunities for Victoria’s disadvantaged communities to develop vocational and job-ready skills, with a 26 per cent increase in enrolments from culturally and linguistically diverse students, 22 per cent from students with a disability and 16 percent from Aboriginal and Torres Strait Islander students.

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

- private providers were up 112 percent and exceeded by 46 percent the full year of enrolments for 2008
- TAFE providers were up 10 percent, representing 51 percent of the full year of enrolments for 2008
- ACE providers were up 14 percent and represented 46 percent of the full year of enrolments for 2008.

Private RTOs’ share of Government-funded enrolments almost doubled between 2008 and 2010 from 14 percent to 25 percent. Continued strong enrolment growth by private RTOs in the first quarter of 2011 lifted their share of the Government-funded market to 32 percent.

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1 Deloitte Access Economics, Victorians skill needs in 2011: A summary of industry intelligence, April 2011
Student numbers between 2008 and 2010 grew across all provider types, with students at private RTOs almost doubling. During the same period, government-funded enrolments at TAFE providers were slightly higher in 2010 compared with 2008, following a modest decline in 2009. Enrolments at ACE providers dropped in 2010 to slightly below the 2008 number.

This trend, at the end of March 2011, looked to be continuing, with student numbers almost one-and-a-half times their 2008 number. The March 2011 numbers for TAFEs and ACE providers were equivalent to around half of the 2008 full year totals.

In summary, in Government-funded education and training in Victoria:

- overall enrolments in the first quarter of 2011 jumped 31 percent from the previous year to 208,300
• the growth in Government-funded enrolments at private providers rose by 112 percent. Growth at TAFEs rose by 10 percent.

In December 2011 the Productivity Commission (“The Commission”) released a draft paper, examining the early indications of the Victorian VET reforms. Its broad findings were:

• Student numbers in publically funded VET in Victoria grew rapidly in 2010 relative to the period preceding the COAG agreement on VET reform. This growth could be attributed to implementation of the reform agenda in Victoria
• Realised and prospective achievement in workforce participation and productivity are expected overall to lead to GDP increases and net social benefit
• Adequate and sustained funding is necessary if potential reform impacts are to be fully realised.

Overall, this early-staged analysis was optimistic about the outcome of reforms in Victoria, with the Commission positing that further and deeper benefits were contingent on more people completing qualifications, undertaking higher level qualifications and for continued adequate funding for intended reforms.

The Commission noted that as enrolment growth was significantly higher than anticipated, the Victorian government has acted to adjust the flow of funding by reducing subsidies for government-funded students in the fastest-growing fields of delivery, thus moderating the growth of training places and the flow of funding towards training in areas of skills shortage.

The Commission also noted that the “potential” impact of reform is expected to begin to accrue as current policy statements expire. In Victoria, this is January 2013. Several report contributors believed that efforts should continue beyond these expiry times, as conceded by the Commission.

In a changing public and private education landscape which exploded into unprecedented and unplanned growth, suffered substantial fallout in student numbers and enrolments and in provider closures before starting to reinforce itself along better and more consistently regulated lines, these solid gains between 2008 and 2010 and again between 2010 and 2011, speak for themselves.

ACPET believes that there is potential for Australia and its jurisdictions to achieve even stronger returns by harnessing the vigour of private providers to lift overall VET education and training provision and participation.

ACPET is of the opinion that the current funding mechanisms and fee structures that have been implemented in Victoria are showing early strong signs of contributing to the achievement of desired objectives around economic and social benefits. ACPET also believes that the positive impact of Victoria’s education and training reforms and related funding mechanisms and fee structures are a viable model for other states as well as an early affirmation of continuing federal policy and funding in support of demand-driven education and training.

ACPET therefore urges the Federal Government to sustain its funding aimed at the implementation of the nation VET reforms, beyond the expiration of jurisdictional and national policy statements.
Independent providers and their response to the Government reform agenda

The number and diversity of non-public providers have grown exponentially over the past two decades. 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 private providers operate with a degree of flexibility, free of the rigidities of large bureaucracies, they are adept at responding flexibly and innovatively to industry needs.

Private RTOs are a diverse group, covering adult/community providers, enterprise-based providers, industry organisations, commercial and not-for-profit organisations, and others. The Education Industry Survey 2010 indicated that private providers are delivering 74 percent of all VET, with 80 percent of this provided to domestic students, most on a fee-for-service basis, in a wide range of accredited and non-accredited VET courses across the full range of the Australian Qualifications Framework (AQF). Many private RTOs also provide a wide range of student services.

Research commissioned by ACPET in 2010 confirmed the importance of the private sector in Australia in delivering skills for individuals and employers. Private providers were shown to be delivering education and training to 1.4 million equivalent full-time students across the vocational and higher education sectors in Australia during the 12 months period prior to the study. Of these, over 800,000 students were undertaking AQF qualifications at Certificate III level and above.

The private education and training sector In 2010 was found moreover to employ over 95,000 estimated full-time staff nationally, including trainers and assessors, administrators and support staff.

There have been significant changes in the post-compulsory education landscape since 2009-10, but these figures have continued to grow and the private sector has been increasing the strength of its contribution to the overall VET effort in Australia, maintaining the same pace of innovation and responsiveness to industry needs, as recognised by industry and as reflected in its leading role in and responsiveness to the policy shift from supply- to demand-driven education and training systems.

In recognition of the significance of this expansion and the need for appropriate regulation, as well as to facilitate service innovation, contestability has taken on a rising proportions of State Governments’ funding of VET effort.

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)round 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-apprenticeship training. 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...

Several employers moreover commented that opening up TAFE to competition has helped to improve their service markedly in some cases, a point recently conceded by TAFE NSW in considering NSW’s implementation of the VET reform agenda. Where problems still exist, this was thought to be owing, in part, to a lack of competition.

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2 HK Horwath, Education Industry Survey 2010, ACPET 2010
3 ABS Year Book Australia 2009-2010, Australian Bureau of Statistics, 2010
In a 2011 report on late-stage apprenticeships, the Australian Chamber of Commerce and Industry (ACCI)\(^4\) highlighted the importance of provider flexibility, quality and relevance to industry skilling needs. Private providers were confirmed as being particularly responsive to industry needs, as exemplified by education and training around sustainability, which has emerged as one of the top industry skills need areas.

The report also found that customised education and training, as modelled by various specialist education and training providers, is an effective way to address completing apprentice and new tradesperson needs- a training approach which is an acknowledged strength of the private education sector.

Private education and training institutions are now arguably the “engine room” of the Australian education and training sector. However, the contribution of the many private providers continues to be under-acknowledged and semi-visible. Since statistics collecting focuses on publicly funded education and training, and because much of private providers’ education and training delivery has been largely fee-for-services rather than publicly funded, their contribution to VET provision is inadequately represented in statistical information on VET effort and the magnitude of private provision has tended to “fly under the radar”. This weakness has been broadly acknowledged, as has the need for the development of a national register for comprehensive data collection\(^5\). The image problem stemming from ignorance and underrepresentation of the private sector in statistical figures is compounded by media and political discourse in which the vast proportion of quality private education provision is tarred with the same brush which marks “dodgy” private providers, or is glossed over. This discourse and lack of understanding of the private education sector have coloured the tenor of current public debate over how education reform is to be funded and implemented.

Given the acknowledged urgency of reform needs and acknowledged concern about widespread, often systemic passivity in the face of this immediate need, lowered current productivity and uncertainty about Australia’s future prosperity\(^6\), the proven responsiveness of the private education and training VET workforce to industry requirements needs to be understood and given due consideration. Funding policy which energises responses, promotes real competition and individual choice and drives innovation, underpinned by strong regulatory and quality systems, is critical.

The early positive indications of Victoria’s implementation of the COAG VET reform agreement exemplify real and expected gains which should be supported and built on in federal and state budget measures.

\(^{4}\) Australian Chamber of Commerce and Industry, *From apprenticeship to a career*, 2011

\(^{5}\) Wheelahan et al, *Shaken not stirred? The development of one tertiary education sector in Australia*, NCVER January 2012

ACPET’s views on the development of a more efficient, effective and equitable tertiary education system in Australia

**Demand driven education model**

Importantly, a demand driven system has better potential than a supply-driven system to be harnessed by employers and individuals to drive education and training where there is demand. Under a supply-funded model, where demand has outstripped funding in some areas, funding approvals show that the availability of places falls short of the demand and may fail to meet skilling needs. Where available funding fails to meet training provider costs and there is no funding to support more operational and other structural requirements, there may be shortfalls in the availability of places, the quality of provision and the provision itself of training.

ACPET calls on the Federal Government to ensure that the Budget continue to underpin the implementation of a full user choice demand-led system without allocated caps on subsidised places. Efficiency in the allocation of funds can also be supported by measures such as incentives for individuals to study in areas of skill shortage and for individuals to study in areas where the market place has not been saturated. As noted above, Victoria has already been addressing this issue by reducing subsidies for government-funded students in the fastest-growing fields of delivery where actual industry need is less than individual demand for training.

**Funding mechanisms, fee structures and other structures in support of an entitlement model**

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
- There should be functional separation between infrastructure and service provision, with the provision of equal access to infrastructure and/or infrastructure funding.

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 and employers is created in the future by reducing course costs and helping more diverse institutions to compete and participate in the market, particularly where individuals are facing disadvantage, and
- diversity and quality of VET institutions are not disparaged, especially in a policy environment where providers have to adapt to considerable, rapid and continual change. Quality and implementation of policy imperatives are not served by inequitable policies.

Also, redressing this imbalance would maximise the efficiency of budgetary allocations, as it would enable private providers to build on their successes and reduce overall current budget pressures, achieving maximum efficiency around educational outcomes.
Across the jurisdictions there continue to exist various models and practices which muddy the waters around the principle of increased student choice and greater responsiveness in the education market to the diverse needs of individuals. This runs the risk of compromising the Federal Government’s investment in this key reform policy.

Certainty is critical in supporting private providers, the largest segment of the Australian education and training market, to plan and resource adequately. This cannot occur when windows for funding are unclear or ambiguous. ACPET supports the notion that all Australians have a basic entitlement to Government support for their education and that this entitlement underpins their individual right to choose a provider which best suits their education and training needs.

An ongoing key issue is that public institutions, which provide an essential service (especially outside urban areas) and have large infrastructures, continue to receive weighted training hours, which equates to a higher funded rate.7 Public institutions also receive government infrastructure investment funding and, in recent years, have also crossed the public-private divide by accessing private sponsorship. Private providers, on the other hand, fund and invest significantly in their own infrastructure, such as automotive and construction facilities and commercial kitchens. Public funding does not, moreover, specifically cover “wrap around” and support services, such as pastoral care, career guidance, additional ESL and foundation skill support. This further highlights the disparity between public and private providers around what may be encompassed by the hourly rate. There is scope for hourly rates to be adjusted to better accommodate the services provided by private providers, to provide a more equitable funding platform and better study outcomes where support service needs to be integrated into courses.

ACPET believes that it is essential that the system be clear, consistent and easy for students, providers and employers to understand and apply. ACPET is of the view that different principles should not apply in different ways in different parts of the VET system; and believes that governments must strive to achieve clarity for all stakeholders and users and greatest value from funding.

To this end, ACPET urges the Federal Government to ensure that access to funding for infrastructure match the investment that is being made in improving quality, as part of a sturdy and coherent demand-driven education funding framework.

Equitable funding models

ACPET believes that a more equitable funding model than that currently used would help to maintain the responsiveness of private providers to education and training skills needs, while easing the pressures arising from an increasingly regulatory environment.

As previously indicated, ACPET is concerned with the lack of consistency between the public and private sectors in student contact hour funding. While it is possible that TAFEs need to maintain a wide scope of qualifications, ACPET believes that this goes against the principle of demand-driven funding. If there is limited to no demand, it seems inefficient to continue to compensate TAFEs at a greater hourly rate across the board for all courses.

Over the years, owing to higher compliance measures imposed on the education and training sector, private providers have had to jump through financial and regulatory hoops to meet many additional

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7 National Skills Standards Council Discussion Paper: Production of Nominal Hours for Training Packages, NSSC, November 2011
requirements. Private providers have adjusted to these burdens with no financial assistance, continuing to deliver effective, quality education and training, as verified through regulatory audits, market feedback, peak national organisational feedback and rising custom.

ACPET acknowledges the history of TAFE investment, delivery and public roles, and TAFE’s place in the community for quality education and training provision. At the same time, positive changes and strong user outcomes have taken place as a result of opening the market place to competition. 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 the emergence of these models. ACPET advocates full contestability where competitive neutrality principles operate, with an open mind about public-private provision.

**Funding based on qualification completion**

ACPET supports a funding model which is transparent across the education sector and which enables quality service delivery, while meeting education policy objectives. Historically, the core KPI related to education and training has been Unit/Course completion. Nonetheless, it is well documented that a complex range of reasons underlies non-completion which are beyond the ability of the RTO to anticipate or control, resulting in a heavy financial impact on smaller RTOs particularly who forfeited funding as a result of non-completion.\(^8\) These reasons may include promotion at place of employment, termination of job, inability to balance work and study, financial difficulty and travel difficulty.

The issue of completion and non-completion in the VET sector has been the subject of much discussion, with various assumptions about the reasons for the presumed high rate of non-completions in Australia. However, there is still no systemic national or jurisdictional measurement of non-completions or the reasons thereof.

ACPET contends that although qualification completion should be sought, completion per se is not always a fair measure of the quality of an RTO’s performance nor of “best outcomes”, since the simple gaining of a qualification is not always the sole objective. Moreover, funding linked to qualification completion may lead to perverse outcomes, as some students who enrol into full qualification programs may in reality only wish or need to study a few individual units or Skill Sets, thus achieving their desired – and in some cases, an employer’s – goal. The lack of data on non-publicly funded VET provision compounds the ambiguity around this issue and challenges the rationale behind the current completions-based funding system.

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 or who are better suited to completing clusters of units or Skill Sets, such as those with foundation skills needs or Aboriginal or Torres Strait Islanders. It might also bring some RTOs to apply less stringent standards in their pursuit of completions and funding.

The current system used for calculating weightings is hereditary and distorts the education level playing field. In real terms, delivery costs have increased together with compliance costs. ACPET believes that the weighting model should be reviewed.

Instead of a funding model where payment occurs at the completion of a full qualification and which may add financial strain to the RTO, as well as wastage where full qualification completion is unnecessary and may be an unnecessary burden on the student. Instead, ACPET would support a funding model in which funding were released upon a student’s completion of a Skill Set or unit cluster in preparation for employment, rather than necessitating the completion of a full qualification. This model would also support a provider’s cash flow and lower their financial pressures and associated risks, thus posing less risk for the viability of the institution and the well-being of its students and workforce.

**Infrastructure funding**

ACPET calls for a functional separation between infrastructure and service provision, to promote equal access to infrastructure or infrastructure expenditure. TAFEs receive considerable Government infrastructure funding. As discussed above, private RTOs on the other hand receive no funding for infrastructure investment, despite providing significant investment to ensure high quality facilities. Moreover, the private sector is largely locked out of access to public infrastructure and resources.

At the same time, TAFE infrastructure is large and well developed, funded by tax payers and with up-to-date facilities that are often under-utilised. ACPET suggests that functional separation between infrastructure and service provision be accompanied by greater sharing of public resources and infrastructure with the private sector through public-private arrangements.

Access to public infrastructure through cost recovery and other innovative mechanisms would strengthen private-public collaboration in the education sector, enhance the education experience for practitioners and students, promote efficiency and reduce wastage arising from duplication.

The funding model should allow for the different costs incurred by different providers in delivering the same course or through different delivery modes. These differences have the potential to impact considerably on provider incentives. ACPET is also conscious that, under a demand-driven model, the public and private sector should together be able to balance the provision of education and training where disadvantaged learners are concerned, which means that TAFE should not be left with a disproportionate burden because of having greater institutional (including infrastructure) capacity and workforce capability. ACPET believes that this should be spread over the public and private sectors.

If TAFEs receive funding to develop and sustain the infrastructure and “wraparound” services to deliver to broader community needs, and private providers do not, then this kind of education and training naturally gravitates towards public institutions.

If access can be opened, however, to resources and infrastructure sharing, with appropriate incentives and support to be able to provide more for broader community needs, there is no reason why the burden cannot be spread more broadly across the public and private sectors. There already exist many examples of resource sharing between educational institutions and there is no reason why this model could not be extended with more public-private partnerships and the development of communities of practice. South Australia has already amply demonstrated, through TAFESA-private sector sharing arrangements, how this can be done. There is potential for funding to be more efficiently and innovatively allocated in a way that maximises resource and infrastructure use, reduces wastage and bureaucratic inefficiency and “silico-isation” of effort.
Equitable funding to underpin foundation skills acquisition

Foundation skills are broadly recognised as being at the heart of productivity and importantly, the Federal Government has acknowledged this need by sustaining and increasing funding around foundation skills acquisition. While there have been excellent individual and institutional results, the national VET workforce as a whole is, however, conspicuously lacking in capability to deliver. RTOs have been slow to respond to this national imperative and to existing funding opportunities around building institutional capacity around foundation skill delivery and support, and around industry collaboration. On a policy level, projections for the development of (public and private) VET workforce capability and institutional capacity around foundation skills within mandated and expected timeframes have been more optimistic than realistic around the implementation of such policy directives. While responding to the very real urgency of the issue, they underestimate the readiness of the VET system – and industry – to engage with and address foundation skills needs head on. Funding therefore needs to be sustained well beyond current timeframes and budget allocations, as well as carefully targeted to maximise efficiency.

As underpinning lifelong enabling skills, foundation skills are an essential learning need that requires additional services to be administered by the provider. These services are funded within the public education and training sector through additional weighting and infrastructure formulae. ACPET strongly believes that the current funding levels for the private sector do not adequately support these services and that there needs to be a more realistic and equitable funding model to better support students who choose or are sent to study at a private institution.

ACPET’s position is that public providers should not be expected to be the place of “last resort” for foundation skills skilling and service. This is an effort that needs to be consistently spread across the education and training sector. Again, keeping in mind the responsiveness and success rate of the private sector in meeting industry need, redressing the current imbalance through appropriate funding mechanisms would maximises efficiency, allowing private providers to apply their ability to be flexible, innovative and efficient around educational outcomes. This would also remove undue pressure from public providers around foundation skills provision and services, as well as providing a stimulus for their own provision, business models and programs to be more effective and efficient.

ACPET calls on the Federal Government to ensure that funding allocations allow for the considerable challenge for private providers to develop capacity around foundation skills delivery and support, and to build the capability of their workforce to deliver.

Additional costs incurred in training higher-need learners and servicing thin or niche markets

Dealing with the problems of cumulative disadvantage is complex, lengthy and costly. Years of investment in individuals may be needed to re-engage marginalised people, such as Aboriginal and Torres Strait Islanders or the long-term unemployed, encourage their learning and provide (or assist with access to) the “wrap around” support that needs to be a part of education and training. Some of the costs associated with engaging higher need learners in VET involve significant investment in

- professional development of teachers
- expert support staff, such as language, literacy and numeracy and disability experts; as well as basic awareness raising in relevant areas for general staff
- designated facilities and resources
• designated pastoral care staff. Research shows that good relationships form the basis of high retention rates with disadvantaged learners; and
• learning and assessment strategy adjustments, such as more tutorials and more practical assessments that require more – and more intensive – training time.

In many instances, delivering education and training to people with greatest disadvantage requires almost double the staffing resources to support student retention and completion.

Niche markets evolve where there is a small but dynamic market, serviced by a limited number of providers, such as mining and racing, and which needs to be supported by education and training provision. Niche markets exist because there is a real need and demand. Niche markets cater to extremely specialist industries which are often highly sought after and lucrative, with highly specialised skilling needs that need to be supported by full institutional capacity and workforce capability. However, they are often looked at as not extensive enough to attract substantial and consistent funding and investment.

Higher needs learners and thin and niche markets are serviced by private providers, including ACPET members, especially those delivering in regional and remote areas. In particular, there are major challenges in extending and strengthening tertiary education in outer urban, regional and remote locations (as they are variously understood and apply to different jurisdictions around Australia).

The cost associated with delivery in thin and niche markets is greater than other markets, as
• it is difficult to access and retain experts with industry knowledge (because of the shortage, the remuneration demand is higher)
• the scarcity of students (often combined with factors of disadvantage) increases the cost of delivery, and
• smaller class size reduces break-even margins.

Consistent with its view on funding mechanisms, ACPET believes that these cohorts must be catered for. ACPET therefore calls on the Federal Government to target federal funding allocations to ensure consistent and high quality education and training delivery. Funding should be based on the fundamental recognition of the unique characteristics of these cohorts as well as of Australia’s geographic and demographic realities. One option is for weightings to be embedded in funding allocations earmarked for the delivery of training and education to higher needs learners and to thin and niche markets.
International education and training – implementation of the Knight Review

The Australian international education and training sector generally supported the release of the Knight Review of the Student Visa Program and the Federal Government-supported recommendations in 2011.

In its submission, ACPET, on behalf of its members and the broader sector, called for a fairer, more transparent and more streamlined process for student visas. Rather than being determined merely by level of qualification or type of institution, this system should be built around robust, independent and fair risk assessment models for all providers in the international marketplace.

In considering the 41 recommendations of the Knight Review, ACPET acknowledges a number of positive changes for Australia’s international education sector including:

- review of the Student Visa Assessment Level framework
- the reduction of financial requirements for higher risk Assessment Level 3 and Assessment Level 4 student visa applicants
- visa processing improvements
- more flexible arrangements for English language study
- formation of a national international education industry advisory group
- enhanced post-study work rights for all degree graduates.

However, other areas require further action:

Streamlined student visa assessment levels for non-university providers

ACPET has received commitment from the Federal Government that the international student visa system will move to a model of provider risk and that high-quality, trusted non-university providers will be accorded the same streamlined arrangements for their students as those on offer to the universities.

ACPET is pleased that the government is considering a pilot of the new streamlining arrangements of non-university providers from mid-2012. ACPET is already well-advanced with a model to determine provider risk and believes it is well-placed to assist the government in determining the criteria for a provider risk model for student visa purposes.

Early advice from the Department of Immigration and Citizenship indicates that the costs of implementing a provider risk model may be onerous when agencies are being asked to find additional savings in the form of efficiency dividends. It is vital for Australia’s multi-billion dollar international education sector that funding is allocated to allow the efficient delivery of a provider-based risk model. The development of improved processes recommended in the Australian National Audit Office’s audit report of the Management of Student Visas will also put pressure on DIAC’s existing resources.

Post-Study Work Rights

Minister Bowen and Senator Evans jointly announced the extension of post-study work rights to all higher education providers, not just the university sector, in late 2011. ACPET’s position is that any trusted VET providers that are eventually granted the streamlined visa arrangements should also be
accorded post-study work rights. Australia’s history of international education includes a proud record of offering high quality VET courses. As the government looks to grow this sector, and address the nation’s skills shortages in a sustainable fashion, linking the granting of post-study work rights to private and public VET providers with a demonstrated track record of visa compliance and quality is a very low risk means of doing so. In turn it will reinvigorate interest from international students in a quality VET experience and deliver substantial revenues to the economy.

**VET encouraged to deliver offshore**

Three of the recommendations outlined in the Knight Review indicate the future for VET training is in offshore delivery, and that the government provide support through Austrade, the Export Market Development Grant and other forms of assistance.

ACPET members have been delivering training offshore for many years. However, establishing offshore delivery in any of the various business models is risky and expensive. In order to assist its members achieve the goal of expanding offshore delivery while ensuring that opportunities with the greatest return on investment are identified through on-the-ground support, ACPET is developing a proposal to establish an offshore office in China, one of the key markets for vocational education and training.

If offshore delivery is to have a stronger focus there needs to be a concerted effort by VET providers and government to enable this. As such, dedicated funding should be allocated to Australian Education International to enable them to support greater offshore VET provision.