2013–14 Pre-Budget Submission
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 almost 1,000 members nationally delivering a full range of higher and vocational education and training (VET) and English language courses across all States and Territories, and internationally.

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.

As the peak body for private education and training 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 Treasury request for a submission on its ideas and identified priorities for the 2013-14 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 in the delivery of vocational and higher education; and secondly, the policy settings the nation needs for a strong international education market.

In addition, considering the policy change and innovation occurring in the tertiary education sector it is critical that Treasury focus on how tertiary education policy impacts private businesses. Tertiary education policy is increasingly reliant on private providers to deliver the programs that achieve government’s tertiary education objectives. However there is a growing concern that government is willing to call on private business to play a critical role in delivering programs, but then walk away from these partners, with little or no warning when there is a policy change. The government must pay closer attention to how policy changes and lack of certainty in operating conditions affect the businesses they rely on to deliver their policy.

The business models of private providers have been put under considerable pressure by changes to government policy. Recently this has been most evident in changes to traineeship incentives. As an outcome of change to policy, providers are downsizing their businesses and some face closure. In the short term this results in job losses, over the medium to long term it may result in the deterioration of the skills and experience base of the sector and affect the long term ability of the private sector to deliver government policy in an effective and efficient manner.

Accordingly Treasury must assess and monitor how changes to tertiary education policy will affect business, and stipulate transition policies are introduced where market distortions will or are hampering business trading conditions as a result of government policy changes.
Vocational Education and Training

Investing in traineeships and apprenticeships

The ongoing reform Australia’s training system should continue to focus on removing barriers to education, training and employment for those Australians most beset by them, not introducing new barriers that undermine access and equity for people to improve their own circumstances. Disappointingly recent changes to traineeship funding arrangements are mainly affecting hospitality, business and retail employers and their employees. Many employers have relied on modest funding from government to assist them in securing high quality training for their staff. In winding back these incentives, government has failed to recognise that these industries represent significant employment opportunities in regional areas and for women returning to the workforce. Regional engagement in training remains weak. When training does take place in regional areas there is an ongoing challenge to ensure that there is a nexus between training and employment rather than training just for the sake of training. Traineeships provide this nexus.

Cash flow for employers is often restrained. Therefore, up-front incentives encourage employers to put resources into skilling up their workers, and the lack of such incentives will hamper training effort. This means that hospitality, tourism and retail industries will train fewer employees his year, at the same time that job prospects worsen in these industries.

Policy decisions on traineeship incentives need to look beyond simply economic/financial cost benefit analysis and take into account the social impact of this training activity. Further there is a need to take a long term view about building productive and responsive industries. Funding support can provide a skills base for industries to meet future economic and structural challenges that can be difficult for governments to predict. Government should be providing incentives for trainees and apprentices in the broadest range of industries possible.

Transition support for providers required to provide data to government

In the past decade the private training sector has been beset by unending change. The latest suite of reforms, in the form of the National Agreement for Skills and Workforce Development reached by the Council of Australian Governments in April 2012, is supposed to deliver new opportunities for learners and greater efficiency for government.

While ACPET has been a strong supporter of the principles underpinning skills reforms; to date, too many private providers in Victoria and South Australia have been adversely impacted by implementation approaches focused solely on financial adjustment payments to meet TAFE’s needs.

The current arrangement ignores the impact that introducing government funding into previously thriving fee-for-service, delivery markets can have on private providers’ businesses. Ignoring Victoria’s prior issues with regulating its private market, the reality is that skills reform implementation in both Victoria and South Australia has resulted in good private provider businesses going to the wall because governments do not fully understand the fee-for-service markets they are injecting government funding into. This is a serious issue which the Commonwealth cannot absolve itself of. The Commonwealth government needs to ensure it requires State and Territory governments to consider and account for the impact of skills reforms on both public and private providers as they approach implementation.
On top of a need to think of private providers as reforms are rolled out, it is unreasonable for the Commonwealth to expect States and Territories to deliver more training with less funds, which is the nature of the current intergovernmental agreement. The funding support provided through the intergovernmental agreement must be reconsidered so that students and providers (both public and private) have certainty each year that their training choices (aligned to the employment opportunities available at the State-level) will be met.

On top of the challenges providers are having in adapting to, and preparing for, skills reform implementation; they are also facing unprecedented data collection and reporting requirements. The ‘accountability measures’ agreed to by COAG in April 2012 and due for implementation from 1 January 2014, are still not known. Further, promises made by the Standing Council on Tertiary Education, Skills and Employment in November 2012 to provide financial support to providers to adapt to the additional data collection and reporting changes are yet to be seen or articulated.

To add insult to injury, the needs of providers which offer short courses have been entirely overlooked. Students studying a single unit of competency, which may take only a few hours to complete, (eg customer service training), will spend significant time filling in an extremely detailed enrolment form to collect a plethora of data merely to satisfy government record keeping requirements. Already ACPET is aware that many of these niche providers are actively considering moving out of the accredited training sector, to ensure they do not lose students who question the value of providing such extensive data to government. Urgent advice and financial assistance is required for providers to adapt to these data collection and reporting changes.

**Infrastructure funding**

ACPET calls for a functional separation between infrastructure and service provision, to promote equal access to infrastructure and infrastructure funding. TAFEs receive considerable government funding whilst private RTOs on the other hand only receive funding for infrastructure investment by rare exception; despite making significant investments to ensure their own facilities are of a high standard. 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 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.

If TAFEs continue to receive funding to develop and sustain the infrastructure and “wraparound” services to deliver to broader community needs, and private providers do not, then education and training with high infrastructure costs will remain largely in public institutions. As a result, there is a distorting of market activity, which impedes the objectives of a demand driven training system.
Additional costs incurred in training higher-need learners and servicing thin 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, or thin, markets evolve where there is a small but dynamic market, serviced by a limited number of providers, such as mining 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 skillling needs that need to be supported by full institutional capacity and workforce capability. However, they are often seen as not being significant 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.

Government must therefore target federal funding to ensure consistent and high quality education and training delivery for higher needs learners and training in ‘thin’ markets. 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.
Higher Education

Student choice should drive funding

There are approximately 130 non university higher education providers in Australia, ranging from niche providers of specialised courses to larger institutions that model themselves directly on university structures and have ambitions to become self-accrediting institutions. Private higher education institutions now enrol approximately 59,000 equivalent full time students each year.

The Bradley Review noted the lack of diversity of study programs and institutions in Australia. It pointed to a hindrance to the growth of the higher education sector in Australia due to the current model of government funding, recommending:

- the removal of caps on Commonwealth supported places to enable institutions to better respond to student demand by granting them the freedom to enrol as many eligible students as they wish
- provide students with the choice of where to study (at recognised institutions)
- allow government funding to follow the student

The strong correlation between funding policy and diversity of education institutions and student choice is clear. Student-centred funding provides genuine choice for students, and students receive substantial economic benefits from higher education. Students should be able to use federally-funded Student Learning Entitlements, including credits for special needs, and HECS-HELP access, with any registered higher education provider. Allocation of funding should reward educational quality and outcomes, without distinctions between public and private institutions.

Higher education funding policy must look beyond historic reputation, size and history. The combination of fully funding the cost of delivery with a genuine choice for students will set a more flexible and innovative framework that ensures Australia can continue to compete globally as a highly skilled, diverse and productive economy. This will be particularly important as Australia faces the challenges and opportunities that the Asian Century provides.

Funding to match the cost of delivery

The current funding arrangements for universities are opaque. While ACPET advocates opening up government funding to allow students to receive a HECS place in the private provider of their choice, ACPET advocates that funding for higher education should match the cost of delivery in order to promote efficiency and innovation for today’s needs and for the long term. Greater transparency in funding arrangements is required, as well as their extension to the private sector.

Funding should be divided into teaching, research and community service components. This would mean that all higher education institutions would be paid for what they deliver, and any expansion of higher education access would be done in a more efficient and importantly more transparent manner. This would also drive excellence in achievement while staying true to equity principles around funding access.
Base funding of higher education must be sufficient to enable universities to fulfil their core roles of teaching, scholarship and research, as well as the requirements on other higher education providers as set out in the TEQSA Standards. Until such a time that this happens, the market will remain immature and will not truly be demand driven. Higher education providers that receive funding in the forms of research grants and infrastructure funding will always have an advantage over those that rely solely on base funding. Such a situation acts as barrier to entry for non university higher education providers entry into the market and thus diminished market efficiency.

Funding for Australia’s higher education sector should be based on clearly indentified principles, including community and industry engagement, research excellence, and access by learners from all backgrounds. It should include income-contingent loans and tuition subsidy systems which are applied equally across both the public and private higher education sectors and which are not distorted by outdated and historical principles.

International education and training

The latest data on international education services exports highlights the continued decline of the industry from $16.1 billion in 2010-2011 to $15.3 billion in 2011-2012 (from the high watermark of $17.9 billion in 2009-2010). In this context, ACPET acknowledges a number of recent positive changes for Australia’s international education sector including the implementation of a number of the Knight Review of the Student Visa Program recommendations, recent changes to the Education Services for Overseas Students (ESOS) Act, and the establishment of the International Education Advisory Council (IEAC) charged with developing an international education strategy for Australia.

ACPET supports the implementation of the Knight Review recommendations that commenced in late 2011 and early 2012 including enhanced post study work rights for all degree graduates and the reduction of financial requirements for higher risk (Assessment Level 3 and 4) student visa applicants.

In various public documents, ACPET endorsed the concept of a national mechanism to protect international student tuition fees. The Tuition Protection Service (TPS) that was introduced on 1 July 2012. All education providers have to pay an annual registration charge that comprises a base fee plus a per enrolment component based on the total number of enrolments of overseas students. Non-government funded providers pay an additional TPS levy effective from 1 January 2013. ACPET supports the national approach to international student fee protection as well as the risk-based approach that has been applied to determine the additional levy for private providers.

The International Education Advisory Council is due to release the much-anticipated international education strategy in the first quarter of 2013 which ACPET envisages will provide the sector with a clear and constructive blueprint for the next phase of internationalisation.

Against the background of these advancements in international education, there are several key policy areas that require further action by the government, however.

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Streamlined student visa assessment levels for non-university providers

ACPET has received commitment from the government that the international student visa system is moving to a model of provider risk and that high-quality, trusted non-university providers will be accorded the same or similar streamlined visa arrangements for their students as those on offer to the universities. The Review of the Student Visa Assessment Level framework would outline the extension of the streamlined visa processing (SVP) rights beyond the university sector — these rights allow prospective students intending to study at an Australian university to be treated as lowest migration risk (Assessment Level 1) and to obtain visas more easily, regardless of their country of origin.

The review, with a list of low migration risk, high quality (probably larger) providers nominated to opt-in to the SVP arrangements, was due to be announced by mid-2012. As of late January 2013, the government still has not made an announcement. Any benefits for providers for early 2013 intakes have clearly been missed and if the government has not made an announcement by early February, any benefits for semester 2, 2013 will also be lost. This means that except for the universities that are noting strong growth in student visa applications and grants for both semesters, many quality providers in the non-university sectors will continue to struggle to survive in 2013.

ACPET strongly urges the government to make an immediate announcement to stem the drastic downturn in international students in the non-university sectors and the negative flow-on effects on the Australian economy. ACPET also urges the government to announce measures to support the smaller, high quality low-risk providers that will not be offered the option to opt-in to the SVP arrangements.

Advice from the Department of Immigration and Citizenship indicates that the costs of implementing a provider risk model are 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 the government department tasked with the implementation of new policies and legislation to allow the efficient delivery of a provider-based risk model.

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 high quality VET providers 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.

Visa processing improvements – Genuine Temporary Entrenant criterion

ACPET commends the government for its commitment to institute various student visa processing improvements as outlined in the Knight Review. However, recommendation 1 – the introduction of
the Genuine Temporary Entrant (GTE) criterion, has proven to be a contentious additional barrier to studying in Australia and out of step with the intentions of the Knight Review as a whole.

Since its introduction in November 2011, ACPET has collated 237 examples of questionable visa refusals on the basis of the GTE criterion, applied to applicants in many ‘low migration risk’ and well as the higher migration risk countries. This factor is preventing genuine students from being able to access study in Australia. In fact, a large number of visa refusal decision records encourage the unsuccessful applicant to study in their own country or specifically in the UK. This criterion appears to be applied mostly in the English language and VET sectors (important pathways to the university sector for international students) again impacting on the sector’s ability to reach its, and contribute to the nation’s, revenue potential.

DIAC requires urgent financial support to improve the professionalism and productivity of its staff, and ensure the problems with implementation of measures like the GTE do not serve to further burden an already struggling sector.

**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 established an offshore presence in China, one of ACPET’s three key markets for skills development and training.

In 2012 there was little evidence of government support to the (private) VET sector to enhance offshore delivery. While Austrade is granting ACPET $10,000 to conduct an ACPET member offshore capability study, it is not expected that this project will further propel the private VET sector into offshore delivery to a great degree. If offshore delivery of vocational education and training is to have a stronger focus there needs to be a concerted effort by VET providers and government to enable this.

While it does not explicitly encourage VET providers to delivery training offshore, the *Asian Century Business Engagement Plan*, announced by Minister Emerson in October 2012, is an initiative welcomed by ACPET to assist our members to further establish and strengthen education and training links to cater to the region’s skills development needs, and to offset the declining international enrolments at institutions onshore.

ACPET also encourages Ministers Carr and Emerson to lead more delegations to Australia’s key Asian markets like the China 2.0 mission lead by Minister Emerson in August 2011.

**Equitable access to funding**

ACPET’s position is that international students, like domestic students, should have a choice of education or training provider regardless of the source of that provider’s funding. International AusAID-funded students are not eligible to study at a private VET or higher education provider; they can only apply to study at universities or TAFEs.
Conversely, only Australian Commonwealth supported students have access to the OS-HELP funding to conduct part of their undergraduate study at an overseas institution; Australian students that are enrolled at private higher education institutions do not receive government funding support in their quest to become more globalised citizens.

ACPET urges the government to widen the scope for AusAID-funded international students to include private VET and higher education providers and to extend OS-HELP funding to Australian students undertaking their Bachelor degrees at private higher education institutions.

**Promoting Australia’s international education**

ACPET recognises the efforts of individual state and territory governments, and of federal ministers and departments such as DFAT, DIAC and DIISRTE, in their commitment to enhancing Australia’s international education sector. What is lacking, however, is a cross-ministerial representative (body) that recognises international education as an industry in its own right, the broader context in which we operate and the critical contributions the industry makes to Australia’s economy and society.

ACPET calls for the IEAC strategy for international education to address more equitable support and direction for the vital non-university sectors, for funding to accompany key strategies and for a multi-sector and multi-agency approach that will ideally be coordinated by a cross-ministerial representative.

This representative would carry out various functions to promote Australia’s international education including driving and monitoring the International Education Strategy, promoting Australia’s enhanced place in the world/the Asian Century, working with Austrade to boost the promotion of Australia’s international education overseas and collating and housing data around international student numbers and satisfaction rates, and provider data around quality, financial viability and risk ratings.