Dear ACPET Members

As we head closer to one of the key milestones of Smart and Skilled on 1 January 2015, I wanted to take the opportunity to clear up some myths about our VET Reforms.

As many of you would be aware, I met with ACPET shortly after the provider application process closed, and I have listened to their concerns about Smart and Skilled. My staff have also met with ACPET, with whom we continue to have an open and constructive relationship.

Let’s turn to the facts.

Smart and Skilled is a $440 million package of VET reforms for 2015, in line with the National Partnership on Skills Reform. It consists of the training entitlement, foundation skills, loadings and targeted priorities for private providers (Certificate IV and above).

In total, public and private providers bid for over 8 million training places – that is 14 times the size of the current NSW VET enrolments in NSW – while we are actually funding around 165,000 new student places.

It is clear to me that every provider, public or private, was very ambitious in their bids for government funding. Expectations were high.

This is not an open-ended demand-driven system.

It is a NSW Treasury requirement that Smart and Skilled operates within the existing NSW VET budget (known as budget neutrality), and as such there was always bound to be a level of dissatisfaction amongst all providers – not everyone would be able to receive what they expected.

Following the finalisation of the provider application outcomes, 337 training organisations accepted offers to deliver training under Smart and Skilled. This includes the 10 TAFE Institutes, OTEN, and 32 Community Colleges, which means that nearly 300 private providers were successful.

I want to remind members of the built-in-review for Smart and Skilled. When we announced Smart and Skilled in October 2012, our fact sheets specifically mentioned that within a year of implementation, “we will review the system with a view to extending the entitlement.” This independent review will have stakeholder involvement, including ACPET, and it will occur in 2015. This will include a review of the provider application process.
I want to reassure members that this review is a critical stepping stone for the NSW Government to independently assess the effectiveness of our VET Reforms, and for indications of what can be improved or fixed.

While some RTOs are adamant that we need to go further (and faster), I will continue to implement these VET reforms carefully. I will not allow the problems faced by other states to take root here.

Let’s turn to some of the criticisms.

Centrally Managed
We hear the criticism that Smart and Skilled is too centrally managed – but we could not create a pure market based demand driven system, as this would not meet NSW Treasury’s requirement to remain within Budget. NSW isn’t in a financial position to support an unrestrained market.

We have designed Smart and Skilled to meet the requirements of the National Partnership on Skills Reform to introduce an entitlement, and for that entitlement to meet our State based criteria.

The NSW Government is introducing our VET reforms in a careful and cautious manner, learning from the problems in other states. NSW deliberately chose a capped system which means not every provider can get the subsidised training places they apply for. We have seen in Victoria how an uncapped system can lead to problems with quality, poorly targeted subsided training and budget blow-outs.

‘The Computer’ and the tender process
I can reassure providers that assessment decisions were made by humans, not a computer. The governance of the application process met high standards of rigour and probity. Under the guidance of the independent NSW Skills Board, a high level steering committee oversaw the assessment process, which was conducted by a separate implementation committee. Both of these groups included external and independent advisors on probity and training quality.

Further, the NSW Audit Office has looked at the methodology of the tender as is standard practice. All of this operated under NSW Government Procurement guidelines. Scrutiny, rigour and oversight has been continually present during this process.

Size of Offers and Sustainability of businesses
I have heard the criticism from some providers about the small size of their Smart and Skilled tender offer, or that they have not received an offer at all.

Some well-regarded providers with no compliance issues have not been awarded a contract and I understand their frustration. But that is the nature of a competitive tender. We are not able to satisfy everyone who lodged a tender.
Strong competition meant some providers were only offered small allocations. Providers are able to integrate government-subsidised students with fee paying students – this already happens now in VET and is also the case across universities. All contracted providers may be able to access any future funding as it becomes available including for part qualifications. Procurement advice based on the available budget for Smart and Skilled was that the evaluation should not decide the quantity of allocations considered viable to offer to training providers to ensure the sustainability of their training operations.

All training providers including TAFE should have a variety of funding sources to ensure that their businesses remain competitive and viable. Registered Training Organisations have never had a guarantee of government funding at any time, year to year.

Small Businesses
Some providers have claimed that the application process discriminated against small businesses.

I can confirm that a mix of small, medium and large sized training organisations were offered a contract under Smart and Skilled. However, the size of businesses or number of employees was not a determining factor for offering contracts.

Criteria were developed to enable all RTOs to be assessed. Care was taken to see that criteria supported all providers (small, medium and large) to participate.

If a training provider believes they were unfairly disadvantaged during the application process they were invited to write to the Department. Independent reviewers who were not involved in the application process have been appointed to deal with these complaints. The review of the application process will consider whether any category of RTO was discriminated against.

Simple Yes/No Answers in the Application
Some providers have complained that the tender was too “simple’, had too many “yes/no” answers and didn’t allow them to demonstrate their achievements in training.

State Training Services advises me that the Quality Framework was designed following extensive consultation with providers. I’m aware that during the early consultation on the Quality Framework, providers stressed the need for the Smart and Skilled framework to not duplicate work already done by ASQA. An MOU between ASQA and State Training Services was established for this purpose – and I have asked the Department to publish this MOU on their website.

Providers had to fill out the tender and retain the supporting evidence. Providers were also required to make a declaration that everything they supplied to State Training Services in the tender was accurate.

Some providers who have received prestigious recognition (for example, in the NSW Training Awards and the Australian Training Awards) expressed their frustration that
they were unable to articulate this in the tender application. However, awards that RTOs have received were not a determining factor in offering contracts so this type of data was not needed in the tender application process.

Feedback and Appeal Process
Some providers have raised questions about their tender application, and indeed the provision for an appeal.

State Training Services advises me that all training organisations that participated in the Smart and Skilled application have the opportunity to seek written feedback. Over 160 providers have sought feedback.

As to questions about an appeal - in line with Procurement Guidelines, the Department offered organisations a review process if they felt they had been unfairly excluded or disadvantaged by the application process.

Suspension of the Tender
I know that some providers are unhappy, and have called for a suspension or cancellation of the tender. It would be fiscally irresponsible to do so. It would also lead to serious legal issues with providers who have signed legitimate contracts with State Training Services, and would cause serious upheaval in the training system.

This would mean that we would also have to suspend the transition to new price and fee arrangements, which means up to 46,000 fewer students could be trained in 2015.

I am advised by State Training Services that previous training market contracts under the Government’s Approved Provider List were established in 2010 and have been rolled over since that date, preventing new entrants from accessing the market to meet changing needs of industry and regions. A further roll over of those contracts would perpetuate limits on competition in this sector.

Implementation of the contestable entitlement under Smart and Skilled is a requirement of the Commonwealth-NSW National Partnership Agreement on Skills Reform which is worth a total of $561 million to NSW over 5 years. Failure to implement Smart and Skilled in 2015 could risk the remaining $408 million owing to NSW, being $211 million in structural reform payments and $197 million for training outcomes.

Interstate Providers
The NSW Government was very clear from the outset that Smart and Skilled has strict eligibility requirements (as outlined on page 6 of the Quality Framework).

NSW based eligibility -
An RTO must have its principal business address in NSW (as defined by ASIC). If an RTO does not meet this criterion then it must demonstrate:

- that it held a NSW Approved Providers List Contract at the time of making a Smart and Skilled application, and
• an existing agreement for training delivery covering the current calendar year, with at least one National Enterprise having at least 50 employees in NSW and at least 50 employees in at least one other jurisdiction,
• and evidence of capacity to deliver quality training in NSW.

In short, you could be a non-NSW based provider if you met the criteria in the Quality Framework. This has caused some consternation, but it was a deliberate strategy to manage our budget neutrality, and to manage the introduction of the market.

**TAFE**

Some providers have claimed that TAFE NSW institutes did not even put in a tender, and received more money than they asked for. I can reassure providers that all ten Institutes put in tenders and that no Institute received more places than they applied for. With over 8 million bids for training places, it is clear that most providers, public and private, put in a large bid. I have no doubt TAFE wanted more – as did many private providers – but with budget neutrality it is impossible to satisfy every bid.

I’ll make some final comments about Smart and Skilled.

I’ve observed over the last few years that there have been many sweeping statements made about Smart and Skilled - by the unions, Labor, the Greens, the media.

Smart and Skilled is not introducing competition in NSW for the first time. As you know, contestability in the NSW VET System has been in place for over 20 years.

Smart and Skilled is not designed to push students towards online delivery – online has been a feature of the training market well before Smart and Skilled, and it will continue to grow. Students will vote with their feet, and flexibility is what they want.

I’m confident in the process that we have undertaken. Budget neutrality is a challenge, but I’m keen to ensure that our reforms remain sustainable moving into the future.

I have no doubt that if more funding becomes available for Smart and Skilled, this will address a number of issues experienced by successful providers including the concerns about small allocations. Further, providers who met the quality benchmark but were not offered a contract (in the Targeted Priorities area, for example) for funding could be likely to benefit if additional funding was available.

However, at present we have to work with what funding we have and manage our budget.

Our goal is to get started on 1 January 2015, undertake the independent review, and identify the next steps.

I am committed to a high quality NSW VET market and I would like to take this opportunity to thank you for your leadership and support of vocational education and training in NSW.
Merry Christmas to you and your loved ones, and all the best wishes for a safe and healthy New Year.

Adrian Piccoli MP
Minister for Education