

**FSC08/04**

**Victorian TAFE**  
*Association Inc*



# **Response to OTTE Review of VET Student Fees and Charges**

**Prepared by:  
Victorian TAFE Association**

**March 2004**

# VTA Response to OTTE Review of VET Student Fees and Charges

## Preamble

This submission is made by the Victorian TAFE Association (VTA) to the Policy Development Branch, Department of Education and Training in response to the Discussion Paper on the Review of VET Student Fees and Charges (December 2003).

As the peak employer body for the TAFE sector in Victoria, with membership including all of Victoria's TAFE institutes and four multi-sector universities, the Association is well placed to comment on these issues from the TAFE perspective. All members have been consulted for this submission. It should be noted that a diversity of opinion is represented by the membership. This submission aims to synthesise these perspectives highlighting strong areas of correlation as well as divergent responses. Unfortunately the respondents did not have the benefit of citing the OTTE VET Costing Study prior to making this submission.

This submission is structured to align to the question template provided as Appendix 2 to the Discussion Paper on the Review of VET Student Fees and Charges and is structured into seven areas:

- Capacity to Pay
- Concessions
- Materials and Ancillary Fees
- Consistency Issues
- Alternative Delivery and Learning Models
- Public and Private Benefit
- Relationship between profile funded and fee-for-service activity

The Victorian TAFE Association welcomes the opportunity to work with the State government in pursuit of continuous improvement of the public provision of VET in order to contribute to a culture of lifelong learning in Victoria.

## Principles behind the definition of a VET Student Fees and Charges framework

Undoubtedly a VET Student Fees and Charges Policy must complement the role of VET in strengthening pathways and access for students to make lifelong learning a reality. As such, any fees and charges policy is one variable in the wider issue of costing and pricing VET to sustain a high quality public system. Therefore the determination of VET Student Fees and Charges needs to be considered in the context of:

- the broad directions of the Ministerial Statement *Knowledge and Skills for the Innovation Economy* (2002),
- VET Priorities in an Innovation Economy (VLESC 2003),
- Review of the Costs of VET and Options Paper on Investment in VET (unpublished), and
- demand and supply studies (OTTE).

It must be acknowledged that the comments and recommendations contained in this submission, have not had the benefit of information contained in either the Review of the Costs of VET and Options Paper on Investment in VET or the demand and supply studies currently being undertaken by the OTTE. The VTA supports, as a general principle, that VET programs should be fully funded by Government for delivery, all supporting infrastructure and ancillary services. However, the VTA recognises the reality that most students do and will continue to be required to pay some fees. The underlying principles of 'user contribution' towards tuition, materials and ancillary fees must be:

- that the levels of VET Student Fees and Charges do not deny access and equity, and
- that increases in fees are not intended to resolve the broader underfunding issue.

The remaining dialogue addresses the specific areas contained in the Discussion Paper on the Review of VET Student Fees and Charges.

## **Capacity to Pay**

Contributors to this submission have provided anecdotal and statistical examples highlighting the significant issues of socio-economic disadvantage experienced by TAFE students. As noted in the Discussion Paper, over a quarter of TAFE students are from low socio-economic backgrounds and financial concerns are a determining factor in a decision to begin a VET course.

An argument canvassed in the first section of the Discussion Paper is that students who are employed are likely to be better able to pay for their tuition. The argument continues that study will allow a student to enjoy a better income on completion. To generalise from this argument is misleading. For example, TAFE students who are also employed in a full time capacity may be apprentices studying at AQF 3/4 and receiving a fraction of an average full time income. Similarly students enrolling in entry level or first courses at any level may be working in low-income jobs. While many VET students find employment with a reasonable income level, others in several industry areas finish their studies and find employment in areas that are typically at the lower paid end of the job spectrum. The VTA does not endorse a Fees and Charges framework that creates fee differentials between AQF levels.

The differentiating characteristics of the TAFE student cohort need to be reflected in the VET Student Fees and Charges policy.

### ***Adopting a Framework***

The VTA proposes that there needs to be an agreed balance between government, individual and industry contributions to VET. This should reflect community capacity to pay and the realities of price elasticity in the market. The VET Student Fees and Charges framework for the future must retain the strengths of the current system:

- scale of fees and charges reflecting individual students socio-economic circumstances,
- Institute's maintain the ability to waiver fees based on hardship.

A future framework could look outside the current model and consider using a percentage discount to reflect the 'capacity to pay' of individuals/groups. It has been

suggested in the consultations leading to the preparation of this submission that 'capacity to pay' could be linked to well recognised community benchmarks of financial status and apply as a percentage discount. Such a scale of fees may overcome a perception that the current gap between full fees and full concession fees is inequitable (see further comment below).

### ***Deferred payment scheme***

Generally, the VTA membership does not support the introduction of a system-wide deferred payment scheme. All dual-sector universities and many stand-alone TAFE institutes have developed internal systems and processes to address the financial difficulties encountered by a small number of students. A system-wide deferred payment scheme similar to HECS will put unwarranted additional administrative burdens on the sector, compounded by the fact that there is a ten times greater number of TAFE students compared to university students. Further, if a deferred payments system were introduced, it will need to be accompanied by increased Government funding as TAFE Institutes/Divisions are not in a financial position to fund a universal, institutionally based loan or deferred payment scheme. Student tuition fees represented an average of 4.3% of total revenues to TAFE Institutes/Divisions in 2002.

In the advent that fees and charges increases become a deterrent to participation at the point of entry to VET programs, then alternative fees and charges systems, for example an income contingent contribution scheme, loans scheme, or other deferred payment scheme, may need to be considered.

## **Fee Concessions**

The current guidelines for fee concessions/exemptions are simple, well understood and appear to be consistently applied and VTA supports the alignment of concessions to Commonwealth benefits.

Two areas for review are apparent. Firstly, the inequity in the application of Commonwealth benefits as the basis for determining eligibility for fee concessions. Students presenting with LI (Low Income) Health Care Cards do not receive the same level of concession as other recipients of other Commonwealth benefits. The capacity to pay and socio-economic circumstances of these students are similar and they face significant hardship in pursuing full time studies to improve their employment opportunities. VTA believes that LI Health Care Card holders should receive the same entitlements to fee concessions as those beneficiaries listed in 1.7 of the current Fees and Charges Policy. Further a situation has been identified where Youth Pathways Program clients will receive a full fee concession on first enrolling but only a part concession if they subsequently make a transition to full time study. They do not necessarily have the capacity to pay and should be eligible for a full fee concession. Secondly, when Austudy recipients face similar financial challenges to recipients of other Commonwealth benefits, why should they be required to pay significantly higher tuition fees? The Fees and Charges Policy for the future could be simplified by having only one definition for concession eligibility that includes all Austudy and Commonwealth benefits recipients.

### ***Measuring Fee Concessions***

Several respondents questioned whether the current gap between full fees (\$625) and a full fee concession (\$50) is too great and creates a perception of inequity between students. An alternative model may be to apply a percentage discount

based on the total fee per SCH. For example, Health Care Card holders may be eligible for a 75% discount, Austudy recipients' 40% discount. Examples are presented below comparing the current tuition fee model to one based on percentage discounts for fee concessions and no capping.

Student Group	Proposed fee (200SCH)/ Current	Proposed fee (50 SCH)/ Current	Proposed fee (500 SCH)/ Current	Proposed fee (800 SCH)/ Current
Full fee paying	\$250/\$250	\$62.50/\$62.50	\$625/\$625	\$1000/\$625
Austudy recipient (40% discount)	\$150/\$125	Not Applicable	\$375/\$312.50	\$600/\$312.50
Health Care Card Holder (@75% discount)	\$62.50/\$50	\$15.65*/\$50	\$156.50/\$50	\$250/\$50

\*flat administrative charge per enrolment to be added

While this provides examples under one scenario, obviously consideration should be given to a model that may offer less generous discounts: Full concession equalling 50% of the full fee and Austudy concession equalling 75% of the full fee, or include Austudy beneficiaries in the same category as other Health Care Card holders.

### ***Fee Capping***

There is a body of opinion that the tuition fees for Apprentices, VCE students and VCAL students in the TAFE sector should not be capped. The Victorian government's goal to have 90% of Victorians complete Year 12, or equivalent, places TAFE certificate courses at AQF levels 3 and above, on equal footing with VCE/VCAL. If the intention in capping fees is to encourage participation in these levels of learning, then equity principals prescribe that the capping should be the same. In relation to apprentices and trainees, one may argue that reduced fees are related to a recognition of the lower wages awarded to these students. However, while the capacity to pay of an apprentice/trainee is reduced by comparison to person on full wages, their respective 'capacity' may well be greater than a full time Certificate IV or Diploma level student. The more equitable outcome may be to abolish the capping of fees for apprentices, trainees, VCE and VCAL students and apply a framework as above.

On the reverse, a number of respondents endorse the current policy for applying caps to tuition fees. The increase in fees from \$1 to \$1.25 per SCH, without associated adjustments to caps on fees for certain categories of student, has had the effect of increasing discounts to those students. VCE and VCAL students were capped at \$420 per year representing 420 SCH pre-2004, but now 336 SCH. Apprentices and trainees fees are capped at \$290, representing 232 SCH compared to 290 SCH previously. The contribution of these student groups to meeting the cost of VET should not be diminished.

There is a need for further research to assess the impact of removing caps for apprentices/trainees on the apprenticeship/traineeship market before such a decision is considered further. Irrespective of these differing points of view, the VTA is firm in its belief that TAFE providers must be fully recompensed for tuition fees foregone in applying any concessions and/or caps as defined in a future VET Student Fees and Charges policy.

The Review of VET Student Fees and Charges provides an opportunity to redress an inequity in the current policy. TAFE institutions accept enrolments throughout a calendar year. Applying the current fees and charges policy, the following scenario may present:

Student X: enrolls in fulltime course in Feb. for 800 hrs – tuition fee \$625

Student Y: enrolls in the same fulltime course in July for 400 hours in the current calendar year, remaining 400 hours in following year – tuition fee \$1000.

The student enrolling mid-year has been disadvantaged in not being able to take advantage of the fee capping under the current policy. A possible solution to this inequity could be to cap enrolment fees on a 'per semester' basis. This will, however, create significant administrative burdens to institutions administering the policy. Alternatively, for full time enrolments, caps could apply to a twelve month period rather than the calendar year.

## **Materials and Ancillary Fees**

That materials and ancillary fees should be public, published and transparent is not open to argument.

### ***Materials Fees***

The existing definition of materials fees requires modification to recognise the changes that have occurred in non-salary costs incurred in delivering training. The definition of materials has, to date, been limited to essential consumables purchased from the TAFE Institute/Division and retained by the student. In the context of changes to delivery models, the emergence of ICT applications across study disciplines and take-up of training in technically sophisticated emerging industries, this definition needs to be revisited. An expanded definition may include *resources retained, used within the course of program activities and services accessed by the individual student*. Students then would be able to contribute to the costs of individual/group tuition (eg: Music programs), specialist software (where individual licences are required or annual fees payable), access to specialist services/equipment through the mechanism of *materials* fees.

Materials fees will, of necessity, vary between Institutes/Divisions. It should remain the prerogative of individual Institute Councils to elect to provide additional materials or services which add value to the learning experience and meet the local context. While opinion is mixed as to whether concessions are applied to materials fees, there is a strong argument that no concessions/caps apply as these costs are borne in toto by Institutes/Divisions regardless of the socio-economic circumstances of individual students. Should concessions be applied to materials fees, either the Institute/Division or other students would be subsidising the learning costs. A similar outcome would result from moderation of costs and may breach equity guidelines.

Ultimately the question of determining the appropriate levels of materials fees, including fee concessions/caps will remain the responsibility of Institute Councils. VET student materials fees cannot be uniform across the State of Victoria at course or AQF level. Even within Institutes, justification can be made for courses having different materials fees depending on the learning activities planned.

The VTA requests that the definition of 'materials' be revised in the light of discussions above.

### **Ancillary Fees**

Ancillary fees, generally described as an *amenities and services fee* is a charge influenced by the local context. While usually expressed as a fee per SCH, there is scope for re-thinking this method to allow Institutes/Divisions flexibility to either nominate a rate *per SCH* or a *fixed* rate per individual course. The latter may present some difficulties in calculating a fair and equitable rate for part-time students engaged in learning with full-time students. Irrespective of the approach taken, full disclosure of the application of the amenities fees must be provided in all course information and associated literature.

Should the future VET Student Fees and Charges policy prescribe any concessions to either materials fees or ancillary fees, TAFE Institutes/Divisions need to be eligible for full reimbursement from OTTE of income foregone from the application of the policy.

## **Consistency Issues**

It is unworkable to expect total fees and charges to be consistent across the State of Victoria and Institutes/Divisions will, of necessity, use different suppliers and package training differently to meet client needs. As noted above differentials will occur in materials and ancillary fees.

In relation to tuition fees, consistency can apply if the SCH is retained as the common currency. Although an artificial input measure, SCH is convenient and simple to retain as a basis for calculating fees.

The VTA supports maintaining nominal SCH as the basis for calculating fees. Other options proposed in the Discussion Paper are rejected as follows:

- Fee Bands: Past experience indicates such a model creates anomalies.
- Fees aligned to AQF levels: Delivery costs do not vary across AQF levels. Income earning capacity of students undertaking AQF levels 5/6 should not form the basis for differential costing. With Training Packages, lower AQF levels may be imbedded into higher level courses and a complexity will result from trying to differentiate fees on the basis of AQF level.
- Fees aligned to training priorities: Consensus has not been reached on the most appropriate means for determining training priorities. The correlation between fees and charges and students' course selection will also need to be proven. Priority areas should not be discounted in a fee structure, rather direct funding to targeted groups may be considered.
- Fees based on a combination of models described above: Defeats the intention to create a simple, practical and consistent fees and charges structure.

The VTA believes parity should remain between TAFE, ACE and private providers in the structure of tuition fees.

## Alternative Delivery and Learning Models

The delivery of VET programs occurs in a mixture of modes; face-to-face, small groups, self-paced, self-directed, one-to-one. It occurs in workplaces, classrooms, online and in community settings. Experience shows that the costs of delivery continue when a teacher is not in front of a traditional timetabled class. Teachers engage in a variety of learner and learning support activities to ensure optimal learning outcomes. Time that the teacher may have spent in the classroom is replaced by supporting smaller study groups, offering one-to-one case management of learning pathways, moderating online discussion boards and developing individualised learning resources. The changed role of the teacher and increased involvement of non-teaching areas in the learning processes do not equate to overall economies to the TAFE Institute/Division. In fact, anecdotal information indicates that non-traditional delivery modes are more expensive to the provider.

Until reliable, valid data examining the cost variations in delivery modes is available it is not possible to conclude the most applicable fee structure. For the time being, pending the results of the Review of the Costs of VET and further research, VTA recommends that tuition fees are based on common outcomes irrespective of delivery modes. Therefore, the SCH and nominal hours form the consistent basis for charging VET student tuition fees.

## Public and Private Benefit

While there appears to be sufficient description of the underlying principles of *public benefit* and *private benefit*, there does not seem to be agreement regarding the consistent measurement of *public benefit* versus *private benefit* from VET. Until such time as the TAFE sector is satisfied and agrees to a method of quantifying *public benefit* and *private benefit*, it is not appropriate to respond to the questions in the Discussion Paper.

Suffice to say, TAFE has an economic, social and cultural role within the immediate community as well as at the state, national and international levels. These environments are open to rapid and frequent change. To attempt to introduce *private benefit* into the debate appears to contradict the intention to create a simple, consistent and practical VET Student Fees and Charges Policy to carry TAFE into the near future.

The VTA also rejects the notion of applying different fee structures to deemed *low priority* areas and *high priority* areas of VET. Alternatively, VET in emerging industries and areas where state-wide skill gaps can be identified, could attract scholarships/cadetships to off-set the course costs to individual participants.

## Relationship between profile funded and fee-for-service activity

The current policy, which does not allow providers to run a course on a fee-for-service basis if they are running the same course on profile funding, is clearly out of step with the VET marketplace and is indicative of the considerable changes that have occurred in that marketplace since the policy was released in 1995.

With shifts in government policies at both the national and state levels and broadening accountabilities viz Performance Agreements, TAFE Institutes/Divisions must be able to respond to the marketplace and offer fee-for-service places where there is an excess demand for recurrently funded programs.

## Conclusion

The VTA acknowledges that the task at hand to review the VET Student Fees and Charges Policy is not straightforward and divergent views exist. However, drawing on the comments above common themes emerge for consideration by OTTE:

- TAFE providers must be fully compensated for fees foregone in applying any concessions and/or caps as defined in the VET Student Fees and Charges policy.
- The differentiating characteristics of the TAFE student cohort need to be reflected in the VET Student Fees and Charges policy.
- The VET Student Fees and Charges policy should not differentiate between AQF levels.
- The VTA membership does not support the introduction of a system-wide deferred payments scheme.<sup>1</sup>
- The VTA supports the alignment of fee concessions with Commonwealth benefits.
- LI Health Care Card Holders should receive the same entitlements to fee concessions as those beneficiaries listed in 1.7 of the current Fees and Charges Policy.
- Materials and ancillary fees should be public, published and transparent.
- The definition of *materials fees* is revised to include *all services accessed, and resources retained and used within the course of program activities by the individual student.*
- The determination of the levels of materials fees and the application of concessions for materials fees is entirely at the discretion of each TAFE Institute/Division Council.
- VTA supports maintaining nominal SCH as the basis for calculating fees.
- VTA does not support a fee structure based on bands, AQF levels, perceived training priority areas or a combination of these.
- Parity should remain between TAFE, ACE and private providers in the structure of tuition fees.
- Tuition fees are based on common outcomes irrespective of delivery modes.
- The VTA rejects the notion of applying different fee structures to deemed *low* priority areas and *high* priority areas.
- TAFE Institutes/Divisions must be able to offer fee-for-service places where there is an excess demand for recurrently funded programs.

---

<sup>1</sup> In the advent that fees and charges increases become a deterrent to participation at the point of entry to VET programs, then alternative fees and charges systems, for example an income contingent contribution scheme, loans scheme, or other deferred payment scheme, may need to be considered.