



Victorian TAFE
Association Inc
Reg. No. A37584B

The impact of Fee Concessions in TAFE and a Proposal for their Reimbursement

The Victorian TAFE Association advocates that in order to preserve the quality of TAFE provision in Victoria, our State's TAFE providers must be reimbursed for the fee concessions they provide students in response to the Government's broader social equity policies. The potential fees income foregone represents an overbearing burden on TAFE Institutes already straining under other State Government funding constraints.

Introduction

Victorian TAFE Institutes, and Universities with TAFE divisions now operate in a competitive market, in which they are increasingly required to focus on commercial imperatives. However, there are government policy objectives operating in this area that are not commercially driven which nonetheless impose a severe economic burden on these public providers. Specifically, the requirement to provide access by entitled persons to a structure of concessional discounts for VET services.

Under the present funding arrangements, the cost of fee concessions for eligible students is borne directly by the Institute providing the training. Neither the State nor Federal Governments recognise the revenue shortfall generated by the mandatory application of these concessional arrangements. This leads to the dichotomy of Institutes being asked to be commercially competitive while simultaneously differentially funding the Government's social welfare policy.

In TAFE Institutes, every training place provided to a student who is eligible for a fee concession represents a direct non-recoverable cost and is in effect, discounted training provided as a requirement of Government policy. As this paper will show, the cumulative burden that this places on public providers is significant, and it is the Association's view that the Government should redress this impost with appropriate compensation through the funding model.

It is acknowledged that one of the vital roles performed by the public providers of TAFE in this State is to fulfil the Government's Community Service Obligations as part of the broader canvas of social equity and equality of opportunity, ensuring that all Australians, regardless of individual circumstances, are afforded rewarding career and life opportunities through easy access to TAFE.

Ministerial fees and charges dictate that concessional fees apply to students in receipt of a range of Government benefits. The Association and its Members strongly support access to a schedule of concessional fees for these students. We do not advocate a situation where Institutes cease the provision of some courses in preference to maintaining those courses that are less likely to attract those eligible for concessions.

However, social equity activity does not represent the totality of TAFE's purpose and role in the marketplace. TAFE Institutes and Universities with TAFE divisions are competitive entities finding, maintaining and continually enhancing their own place in the training market, establishing niches and differentiating their product, along with all other Registered Training Organisations.

Within this training market, there is an increasing cohort of students in receipt of Government benefits who are eligible for fee concessions under the Government's social welfare and equity policies. While private TAFE providers are also potentially exposed to this section of the market, it is our contention that these organisations tend to concentrate on the more profitable areas of training. It is being left to TAFE Institutes and Universities with TAFE divisions to service the training demands of this section of the market, with no corresponding compensation by Government and it is this practice that the Association seeks to have remedied.

The Application of Community Service Obligations in other Industries

In support of a reform process of all Government Business Enterprises, the former Victorian Government developed a Policy on the delivery of Community Service Obligations¹. That Policy recognises the emphasis on operating as commercial businesses should not lead to the abandonment of social outcomes, and is directed at the maintenance of CSOs which cannot be met on a strictly commercial basis.

The policy defines CSOs as:

"the non-commercial programs and activities of government business enterprises designed to meet community and social objectives determined by Government"

It gives examples such as the winter energy concession, and the electricity subsidy to public lighting. The following criteria are the basis for defining CSOs:

- ◆ the CSO is provided for some identifiable community or social benefit;
- ◆ the CSO is the result of a specific government directive to a government business regarding the provision of the CSO and the conditions (eg price) of its supply; and

¹ *Community Service Obligations: Policy Statement and Background to Policy*, State Government of Victoria, (August 1994)

- ◆ the CSO would not be supplied or would not be supplied on the same conditions by the government business enterprise if it were acting primarily in its own commercial interest.

The provision of concessions by TAFE Institutes and Universities with TAFE divisions meets each of the above criteria.

In the area of funding, the policy includes a statement of Government support for direct payment from the Consolidated Fund for CSOs on which there is agreement as to scope and cost. In the gas, electricity and water industries, contractual arrangements between the Department of Human Services and the relevant licensees ensures the full reimbursement to the service providers for the value of all concessions provided. In the case of gas and electricity, further reimbursements are offered for the true cost of delivery of concessions (covering such costs as additional administration, transaction costs and customer information). Periodic reimbursement payments are paid by Human Services to the respective licensees for concessions offered.

The Association proposes that similar arrangements should apply between the Government and Victoria's TAFE Institutes and Universities with TAFE divisions, and other Registered Training Organisations where relevant.

House of Representatives Committee Recommendations

The full extent of this issue was identified by the House of Representatives Standing Committee on Employment, Education and Training, in its 1998 report *'Today's Training, Tomorrow's Skills'*². The report draws attention to the *"appalling inequity in the way the burden of concessions falls"*, noting that the greatest burden is borne by those Institutes called upon to support the highest proportion of disadvantaged students. The Committee concluded that the funding model in every State and Territory should properly recognise that some Institutes face higher costs because of their location and/or their student profile.

The Federal Government's response to the Report, tabled on 30 June 1999, placed the responsibility for this funding with the relevant States and Territories. The Association supports these recommendations, and is seeking similar support from the Government of Victoria.

² *Today's Training Tomorrow's Skills.*, House of Representatives Standing Committee on Employment, Education and Training., (July 1998). AGPS

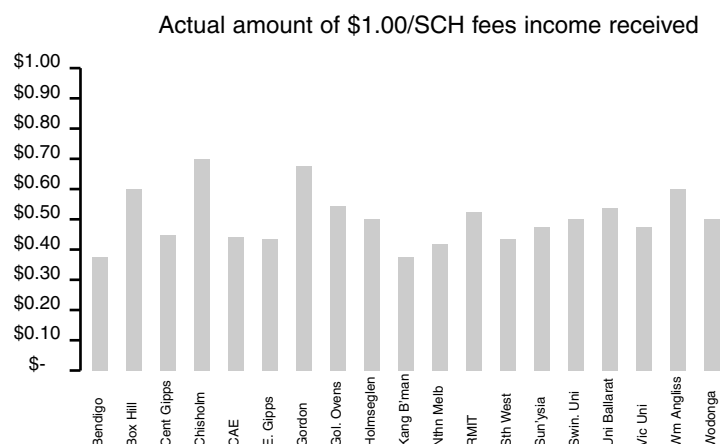
Fee Concessions in TAFE

It is Government policy that tuition fees for centrally funded courses in TAFE Institutes and Universities with TAFE divisions amount to \$1.00 per enrolled hour, with a maximum amount which may be charged to a student in any calendar year of \$500, and a minimum amount of \$40.

It is also Government policy that persons in receipt of a very wide range of benefits are eligible for fee concessions, which entitle them to be enrolled in a TAFE course at the minimum fee of \$40. These include unemployed persons, those in receipt of special benefits and allowances (eg sickness, widow, partner and family allowances), and persons in receipt of pensions (eg age, disability support, carers, and single parenting pensions). The practical effect of this is that Government is underfunding the training provided to these people.

The Association supports equity and equal access for those groups listed above, and it is certainly not the intention of the Association to disturb any of the principles behind the eligibility criteria. Rather, it is the issue of '*Who should pay*' which is at the heart of this paper, and the need for the Government to acknowledge its responsibility by refunding TAFE Institutes, Universities with TAFE divisions and private providers where appropriate for each concession granted on its fees.

In a survey undertaken by the Association of all Victorian TAFE Institutes and Universities with TAFE divisions, the extent of fee exemptions and the impact on an Institute's potential source of income was identified. The results are disturbing. TAFE Institutes and Universities with TAFE divisions receive as little as \$0.37 per hour of training offered under the concession arrangements, and not the \$1.00 per hour they would otherwise receive.



Potential Income Forgone

In 1998, the amount of fees income foregone by public TAFE providers as a result of fee concessions having been provided has been estimated to be \$18 million. The mean for Victoria's TAFE Institutes and Universities with TAFE divisions has been calculated at \$950,000, while some of Victoria's larger Institutes have estimated that the cost in 1999 of fee concessions provided was around \$2.5 million.

Funding Shortfalls and the TAFE Product

This clearly calls into question the ability of TAFE Institutes to maintain quality, relevance and responsiveness in a demand driven market at a time when their revenue base is being increasingly eroded. Victoria currently has the highest percentage participation rate in vocational education and training in Australia³, as well as the highest rate of employee satisfaction, but our Institutes continue to carry the burden of funding restraint. The non-refunding of fee concessions is another burden to bear. It is our contention that eventually, and most likely sooner rather than later, the quality, responsiveness and relevance to industry of TAFE's training outputs will suffer.

Conclusion

In consideration of these issues, the VTA has adopted the following position regarding fee concessions:

The Association advocates that in order to preserve the quality of TAFE provision in Victoria, our State's TAFE providers must be reimbursed for the fee concessions they provide to students under the Government's broader social equity policies. The potential fees income foregone represents an intolerable burden on TAFE Institutes already straining under other State Government funding constraints.

We urge the State Government of Victoria to embrace the changes proposed in this paper.

³ Education and Training in Australia, ABS., (1998) 4224.0., table 5.2