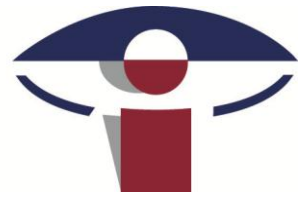


Victorian TAFE
Association



VET Fees and Funding Review

Submission from Victorian TAFE Association

November 2011

Preamble

It is difficult to put into words how disappointed the VTA is that the Government has chosen to accept and implement aspects of the ESC report VET Fee and Funding Review before the consultative process with the Expert Panel has been completed and the Expert Panel delivering their report to Minister Hall and Skills Victoria. Funding changes were made in an arbitrary way to cut expenditure with limited overview of the impacts on VET providers and students. This is untenable in our view.

The integrity of the process has been severely compromised by these actions of the Government.

We request the opportunity to meet with the Expert Panel at the end of November to discuss the full impact of the decisions announced on October 19 to change the fee and funding arrangements from January 1, 2012. TAFE providers need time to be able to undertake modelling of the effects particularly in terms of staffing and program offerings in 2012. Delivery in thin markets will be immediately impacted by these decisions.

We note too that the context of the public provider is absent from the report and acknowledged only once in the recommendations (Recommendation 6.10). We feel this is a significant oversight. Public providers are a key component of the fabric of education in Victoria and the cornerstone of vocational education and training.

The VTA is committed to opposing any further funding or pricing changes until TAFE providers are fully funded for all governance, bureaucracy and systems costs arising from being a statutory entity. (recommendation 6.10).

Less than one month was available from the release of the ESC report to respond to the 43 recommendations around, in many cases, complex issues. VTA requests the opportunity to engage with the Expert Panel as our members undertake detailed modelling of the impact of recommendations and the Governments decisions to change fee and funding arrangements for 2012.

This response to the report of the Essential Services Commission (ESC) VET Fee and Funding Review is made by the Victorian TAFE Association (VTA), on behalf of its individual members. The VTA is the peak employer body for Victoria's TAFE sector. VTA members include four dual sector Universities, fourteen stand-alone public TAFE providers, AMES and the Centre for Adult Education (CAE).

We are well placed to respond to the issues paper as we represent all Victorian public providers of vocational education and training. We actively engaged in the consultations to inform the ESC Report through verbal and written submissions.

VTA members may respond individually to the ESC Report paper to highlight areas of particular interest to their organisations.

The ESC has clearly articulated why the Victorian government invests in VET:

- Because there is a public benefit to be derived from skills acquisition,
- As a means to address equity of access to training, and
- To address potential market failures.

VTA agrees with the premise that the acquisition of skills brings with it public and private benefit and that the cost of VET will include contributions from both the government, described by the ESC as the *subsidy* and the student/employer. We have repeatedly advocated formally and informally for methodologies to be developed in the context of the Victorian VET market to determine the relative distribution of public and private benefit from training. We are not satisfied that measures associated with future income earning capacities associated with the achievement of certain qualification levels is scientific.

We take this opportunity to reaffirm our view, originally stated in the VTA response to the VET Inquiry 2005 and restated in 2008 in response to the discussion paper pre-empting the recent policy reforms, that TAFE institutes are yet to be convinced that a method has been developed to accurately measure the public and private benefits of investments in VET.

As the principle of shared benefit applies to pricing and funding models, the high level research to better understand the relative benefits to individuals, businesses and government must be completed before any implementation of changes to fees and funding arrangements.

VTA also agrees that government has a responsibility to ensure that VET is accessible and those members of Victorian communities experiencing disadvantage should be assisted. A system of tuition fee concessions is engrained in VET system to assist students to meet some or all of the cost of training. The methodology for determining the minimum price for training, and therefore the concession price, is unknown. VTA supports the government policy of providing tuition fee concessions but we believe that now is the opportune time to review the actual mechanisms to apply concessions. Should a tuition fee concession represent a fixed percentage of the provider's price? Should a tuition fee concession be an agreed amount across the board, different for different course categories or industry groups? In a demand driven fee and funding arrangement the tuition fee concession should not be used as a policy lever to manage entry into the market for socially disadvantaged persons. The fee and funding arrangements for tuition fee concessions should likewise not be overly complex and add to the complexities of the current processes. VTA advocates for a system of tuition fee concessions with providers receiving full (100%) reimbursement from the government for delivery in these instances. We believe that the tuition fee concession prices need to be reviewed and this should occur once the relative public and private benefits of training have been researched.

The third intervention cannot be viewed in isolation of the other two. Interventions to adjust the government funding to VET must be cognizant of the potential impact of market failure. Currently the *subsidies* paid to providers are not based on any transparent modeling of the actual costs of delivery or the distribution of costs based on rigorous research as to the public and private benefits. The actual costs of delivery need to be determined before the government can agree on the *subsidy*. Any subsequent changes to the government *subsidy* may be offset by additional cost to the student/employer or may cause demand to diminish to the point where there is market failure in areas of particular importance to government policy objectives, for example, regional and rural development.

Essential Services Commission Recommendations

VTA agrees to use this template to assist the Expert Panel to collate responses but the interconnectivity of the various recommendations cannot be overlooked. It is not simply a matter of plucking out some recommendations for implementation without considering the implications in the light of other recommendations and the impact on public providers of VET in Victoria.

Full list of the Essential Services Commission's recommendations

	<i>ESC Recommendation</i>	<i>Comment</i> (Comments are limited to 1050 characters (approximately 150 words)).
4.1	The Government should collect data on all domestic students undertaking VET qualifications (including from providers that offer only full fee-for-service courses) to provide decision makers with a more complete picture of the sector and the training being undertaken.	<p>There has never been a comprehensive collection of VET student data in Victoria. VTA strongly supports the collection of data from across all providers: public, private and enterprise based registered training organisations. There will be challenges to obtaining data where a provider is not in receipt of VTG funding and/or where providers have their operations base outside Victoria. <i>Decision makers</i> in this instance will include the government, industry peak bodies, training providers, current and potential students. The information should be readily available and current and derived from a consistent data collection standard.</p> <p>The data should include quantitative and qualitative information and overtime will provide a detailed picture of inputs into the VET system, outputs and outcomes.</p>
4.2	The Government should improve the availability of information to students on career paths, training outcomes, employment opportunities, and skill shortage areas. In doing so, the Government should consider the accessibility of information, how it could be improved and the appropriate roles of industry, training providers, employers and the government. Information coordinated and available at a national level should also be considered.	<p>This recommendation clearly describes that it is the responsibility of the Government to undertake actions to improve the availability of information to potential and existing students. This is a complex task and will require substantial investment by the Government to ensure the information percolates through to all participating stakeholders.</p> <p>The responsibility to develop information platforms cannot be devolved to providers. A single point of access has the greatest likelihood of success because the source can be bookmarked. It is imperative that any such information platform contains up-to-the-minute information, simple and sophisticated search facilities and is capable of taking large volumes of traffic.</p> <p>This recommendation, if accepted, should be among the first priorities of the Government. The current policy statement included similar sentiments but this has not occurred and the absence of information has contributed to the current confusion in the market about fees, the relationship of VET to other education sectors and to employment.</p>

	<i>ESC Recommendation</i>	<i>Comment</i> (Comments are limited to 1050 characters (approximately 150 words)).
4.3	<p>The Government should improve the availability of information to students on the VTG, including the difference between subsidised and full fee places, and the consequences of training for future access to subsidised places. In doing so, the Government should consider the accessibility of information, how it could be improved, the timing of information provision, and the appropriate roles of training providers, employers, agencies like Job Services Australia and the Government.</p>	<p>In our view the communications strategy adopted by the Government to implement the VTG was entirely unsatisfactory in educating the public about the VTG. The 'piece of paper' advertising campaign created expectations about access to training only to lead to disappointment when the eligibility requirements were explained.</p> <p>Our view is the eligibility criteria are flawed because they are based on prior qualifications achieved. This recommendation assumes the current eligibility criteria will remain. We do not support this.</p> <p>However, should the VTG in its current guise remain, the Government cannot be assured that all providers will fully disclose the implications of making specific choices as they will want to secure as many enrolments as possible. The public cannot be relied on to be able to ask the right questions to evaluate the implications of their choices; they don't know what they don't know. It is inappropriate, particularly for students as young as 16 years making choices that may have adverse implications for their future, without full and proper disclosure of the implications of their choices.</p> <p>Any communications strategy linked to this recommendation cannot add administrative burden to TAFE providers.</p> <p>This recommendation, if accepted, should be among the first priorities of the Government.</p>
4.4	<p>The Government should monitor and publish information on the training being provided to identify trends and work with industry to identify any areas of skills under- or over-supply.</p>	<p>VTA agrees with this recommendation. Information must be underpinned by rigorous data collection (VTG and other VET provision) and provided in a timely manner. Quarterly reports issued in 2011 have been welcomed and provide insights not previously available to TAFE providers and the public. VTA acknowledges the work of SV to produce these reports and that each edition has provided enhanced information. For strategic and business planning purposes these reports need to be available within 6 weeks of the end of each quarter.</p> <p>VTA requests the opportunity to provide input into the metrics used to monitor training being provided and the reporting framework to ensure it is easily understandable by the public and valuable to providers for planning purposes.</p>

	<i>ESC Recommendation</i>	<i>Comment</i> (Comments are limited to 1050 characters (approximately 150 words)).
4.5	The Government should treat trainees and apprentices consistently with other students under the VTG.	<p>VTA does not agree with this recommendation but feels that to some extent the horse has bolted with the announcement by the Government on October 19 to change the funding and tuition fee arrangements for apprentices (traditional trades).</p> <p>The infrastructure required to meet the delivery costs for apprentices is typically high end as it must reflect industry standard and sufficient to meet the needs of the size of the learner group in campus based delivery scenarios. The recent announcements regarding VTG subsidies for apprentices in 2012 results in a funding cut from \$9.67 (2010 VTG) to \$8.66 for each hour of training activity in the Skills Building category. This category includes the vast majority of apprentice training. For 8 large metropolitan TAFEs the rate is further reduced to \$8.42. Weightings are applied to the funded, generally at 1.3 the base rate. Therefore base rate for 2012 is $\\$8.66 \times 1.3 = \\11.258 per WTH. A very significant decline of \$1.31 from 2010 ($\\$12.571 - \\$11.258$), not the \$1 that appears on the surface to be the reduction. For the 8 large metropolitan TAFEs targeted for additional cuts the rate will be $\\$8.42 \times 1.3 = \\10.946 per WTH; a funding cut of \$1.625 per WTH ($\\$12.571 - \\$10.946$). TAFE providers in metropolitan and regional areas are currently considering whether they can service the market for apprentice training, particularly in thin markets, with these levels of funding.</p> <p>The recent decision of the Government will also impact negatively on the cost to apprentices/employers. Under many Modern Awards employers are required to reimburse student tuition fees and because of the funding changes, fees are likely to increase substantially for apprentices. Effects on the demand for apprentices will need to be closely monitored and/or interventions by the government to avoid market failure.</p> <p>If VTA had been responding to this recommendation in the absence of the Government's decision on October 19, we would have requested this recommendation is not accepted and implemented until the necessary work has been undertaken in relation to recommendations 7.1 – 7.5.</p> <p>If nothing else, we believe it is critical to ensuring the continued investment in training of apprentices and Victoria's future skilled workforce that the eligibility criteria regarding existing qualifications is not applied to students enrolled as apprentices.</p>

	<i>ESC Recommendation</i>	<i>Comment</i> (Comments are limited to 1050 characters (approximately 150 words)).
4.6	The Government should review the courses and qualifications on the foundation skills list after the national foundation skills training package has been developed.	<p>We support an ongoing regime to review the courses and qualifications on the foundation skills list. This has not occurred in a manner transparent to providers since the introduced of the VTG. Implementation of changes to the courses and qualifications in the Foundation category must allow sufficient lead time to allow for system changes and to market new courses and adjust for any deletions from the Foundation category. We have been advocating since 2009 for inclusion of VCAL Intermediate and VCAL Senior as foundation qualifications due to the nature of these courses and the student cohort. We recommend these two courses are added to the list immediately and not wait until the foundation skills training package is developed.</p> <p>In the event that any review of the list results in a course/qualification being deleted from the list, such changes cannot be implemented until a full calendar year has elapsed. For example, a deletion advised in 2011 would not have effect until 1 January 2013.</p>
4.7	To be able to assess the impact of the VTG on VET participation the Government should conduct a survey during the next peak enrolment period (end of 2011 to start of 2012) to gather information on those people who are ineligible under the VTG, including the demographics of this group, whether they enrol in study, and what were the reasons they were seeking to enrol in the qualification for which they were ineligible.	<p>While this would be nice to have, VTA does not think it would be an early priority of government if this recommendation be accepted. The task is significant particularly to identify and survey people who register interest in a course, make an application and don't subsequently enrol. There is not enough time to implement this recommendation as applications for 2012 enrolments are already being accepted and enrolments occurring.</p> <p>We note that the recommendation states 'the Government should conduct a survey...' We resist any notion that this would occur by the Government devolving this responsibility to TAFE providers.</p>
4.8	The Government should revise the operation of the VTG so that VCE, VCAL and VET undertaken in school is not taken into account for the purpose of determining whether a student is up-skilling.	<p>VTA strongly support this recommendation and has been advocating for this change to the VTG.</p> <p>We request implementation of this recommendation for 1 January 2012 and immediate advice to providers to enable changes to systems and marketing materials and professional development of all staff actively engaged in the enrolment process.</p>

	<i>ESC Recommendation</i>	<i>Comment</i> (Comments are limited to 1050 characters (approximately 150 words)).
4.9	The Government should consider allowing people whose highest qualification is between 7 and 15 years old access to a partially subsidised training place for enrolment in a qualification at an equivalent level.	<p>VTA support in principle that people with qualifications between 7 and 15 years are able to access some government subsidy for VET training. That said, if this recommendation is accepted 'as is' a whole new range of funding rates will need to be determined and added into an already highly complex system. The administrative impact of managing partial subsidisation has been described by our members as 'a nightmare'.</p> <p>Alternatively we suggest that a middle ground is arrived at in relation to recommendations 4.9 and 4.10 with full subsidy for training when existing qualifications out-of-date related to formalised licensing requirements where they exist, or are greater than 10 years old.</p>
4.10	The VTG should be expanded to provide people with a VET qualification that is greater than 15 years old access to a government subsidised training place for enrolment in a qualification at an equivalent level.	<p>VTA have advocated for this change to the VTG so that that people with older qualifications are able to access government subsidies for VET training.</p> <p>We congratulate the ESC on including this recommendation.</p> <p>Alternatively we suggest that a middle ground is arrived in relation to recommendations 4.9 and 4.10 with full subsidy for training when existing qualifications are greater than 10 years old.</p>
4.11	The pool of available eligibility exemptions should be allocated directly to students by Skills Victoria. However, should the Government decide that providers should retain administration of exemptions, the Government should provide additional guidance on how they should be allocated (e.g. by clarifying the objectives of the exemptions process).	<p>VTA remain unconvinced that a system of eligibility exemptions in its current form serves any useful purpose. If the VTS is to instil a culture of lifelong skills development, funding must be provided under some circumstances where non-linear learning pathways align to workforce needs. The current policy provides a very small number of exemptions to eligibility requirements to fill that void but it is not working to date. Exemptions are not having a significant impact on the training market at such low numbers.</p> <p>Our view is that funded exemptions have been created as a fix for a basic flaw in the current arrangements. Rather than continue to provide an inadequate fix, it is better to eliminate the problem. Alternative funding mechanisms need to be explored that will provide government funding to VET where there are legitimate industry needs for workers to have a suite of skills from different VET training packages or in occupations where there are skills shortages. A Victorian model should ensure retrenched workers are eligible for funding to do an entry level qualification (eg skills building category courses) without having to rely on a system of exemptions.</p> <p>Funding places under exemption arrangements is not the answer in the longer term.</p>

	<i>ESC Recommendation</i>	<i>Comment</i> (Comments are limited to 1050 characters (approximately 150 words)).
4.12	If the exemptions continue to be administered by providers, exemptions should be allocated twice a year — reflecting peak enrolment periods (in proportion to enrolment numbers between these two periods).	<p>VTA remain unconvinced that a system of eligibility exemptions in its current form serves any useful purpose. Funding places under exemption arrangements is not the answer in the longer term. Refer to our comments in response to recommendation 4.11.</p> <p>The priority is to redesign the VTG to eliminate the exemption system and fund these particular cohorts of learners in some other more accessible, more equitable way.</p> <p>The benefits of allocating exemptions twice a year are not obvious. The simple truth is that there are not enough exemption places and that hard choices need to be made about who accesses the limited supply.</p>
4.13	If the exemptions continue to be administered by providers, the available funding should be allocated to providers based on market share of training in the preceding 12 month period.	<p>VTA remain unconvinced that a system of eligibility exemptions in its current form serves any useful purpose. Funding places under exemption arrangements is not the answer in the longer term. Refer to our comments in response to recommendation 4.11 and 4.12.</p> <p>The priority is to redesign the VTG to eliminate the exemption system and fund these particular cohorts of learners in some other more accessible, more equitable way.</p> <p>It is our understanding that places are already allocated on the basis of market share. This seems a reasonable approach but the simple truth is that there are not enough exemption places and that hard choices need to be made about who accesses the limited supply.</p>
4.14	If the exemptions continue to be administered by providers, the Government should move toward allocating exemptions to training providers based on value, rather than a defined number of places. Appropriate data reporting and tracking systems would need to be in place.	<p>It is our understanding that Skills Victoria has been negotiating during 2011 for the allocation of exemptions based on value rather than a defined number of places. These negotiations were initiated by TAFE providers. In principle VTA supports this approach but the sticking point will be what the agreed 'value' that can be used by providers for exemptions.</p> <p>VTA remain unconvinced that a system of eligibility exemptions in its current form serves any useful purpose. Funding places under exemption arrangements is not the answer in the longer term. Refer to our comments in response to recommendation 4.11, 4.12 and 4.13. The priority is to redesign the VTG to eliminate the exemption system and fund these particular cohorts of learners in some other more accessible, more equitable way.</p>
4.15	As soon as is practicable, the Government should remove the VTG's exemption arrangements, and replace them with better targeted concession arrangements.	VTA strongly endorses the sentiments in this recommendation.

	<i>ESC Recommendation</i>	<i>Comment</i> (Comments are limited to 1050 characters (approximately 150 words)).
5.1	Hourly tuition fees should continue to be set on the basis of a lower government subsidy for higher level courses, unless an independent cost and pricing review indicates a more suitable basis for revising the fee structure (see Recommendation 5.2).	The assumption is that the private benefit (future income earning capacity, social inclusion etc) is enhanced if the graduate has higher level qualifications. Some research has made statements to this effect: that the income earnings of diploma graduates over the working life is higher than for a year 12 graduate and comparing the income of people without year 12 to those holding VET certificate qualifications. The assumption is held to be correct, regardless of the Diploma qualification achieved. We refute that, drawing attention particularly to incomes in the community services sector where incomes of VET diploma graduates vary markedly from, for example, VET diploma graduates working in the finance sector. The utility of qualifications also needs to be considered, that is, are people obtaining employment that utilises the skills and knowledge gained through training and are they working in the industry relevant to their qualifications. Fees and funding cannot be based on arguments about the relative public and private benefits from training linked only to qualifications levels. A more scientific approach is needed.
5.2	The maximum hourly tuition fee rates and the fee structure should be revised (in conjunction with any appropriate revision of subsidy rates) following an independent cost and pricing review to determine the cost of provision (see funding recommendations).	The ESC report maintains the government has a responsibility to invest in VET in recognition of public benefit from training and to avert market failure. Recommendations 5.1 and 5.2, if accepted, cannot be implemented without a parallel transparent, rigorous investigation of the costs to public sector providers delivering to particular outcomes including government policy wages and conditions requirements, governance, financial accountabilities and community development obligations. In the first instance the real cost of delivery and the real costs associated with mitigating the risk of market failure must be quantified before any revision of tuition fee rates, fee structures and hourly rates of government subsidy. See recommendation 6.5.

	<i>ESC Recommendation</i>	<i>Comment</i> (Comments are limited to 1050 characters (approximately 150 words)).
5.3	The Government should adjust the maximum tuition fees for apprentices and trainees with the aim of creating greater consistency and alignment with the fee structure that reflects public/private benefit and is based on qualification level.	<p>As recommendation 5.6 proposes the abolition of maximum fees, VTA is unsure of the context of this recommendation. We also refer to our comments in relation to recommendation 5.1 where we state that the assumption that public/private benefit is aligned to qualification level is flawed.</p> <p>Refer to our comments in relation to recommendation 4.5 and the impact of adjustment to the government subsidies in 2012 compared to 2011 in areas of high delivery costs and to recommendations 5.1 and 5.2. Any adjustments of tuition fees cannot occur in isolation and must be part of a review of delivery costs and costs to mitigate potential market failure. See recommendation 6.5.</p> <p>We believe Government intervention is required to ensure a supply of apprentices to meet demand. Consecutive Governments have learned from the mistakes of the past and introduced initiatives to encourage training providers, employers and apprentices to complete apprenticeship qualifications. In recent years, and particularly during the GFC, substantial resources have been invested in apprenticeships to secure Victoria's skilled workforce of the future in some industries sending a strong message that apprentice training cannot be allowed to falter.</p> <p>Our members' experiences are that the apprenticeship system is very price sensitive. The Government should afford some special consideration to this cohort of VET students. As stated earlier, apprentices must be exempt from eligibility rules for government subsidies based on existing qualifications.</p>
5.4	Maximum hourly tuition fee rates should be retained only while there is limited competition in the VET sector. Over time, in areas/courses where greater competitive provision can be verified, the maximum hourly rate should be increased and eventually removed (see Recommendation 7.1).	This recommendation seems at odds with recommendation 5.5. Recommendation 5.5 suggests maintaining a system with indexed maximum hourly tuition fees into the future.
5.5	After the expiration of the current tuition fee schedule at the end of 2012, maximum hourly tuition fees should be indexed, annually.	<p>VTA has consistently advocated for annual indexing of maximum hourly tuition fees and the Government subsidy at least in line with Victorian CPI movements.</p> <p>There has been no disclosure of the modelling that led to the determination of the tuition fees and Government subsidy for VET between 2009 and 2012. TAFE providers cannot identify whether any indexation for CPI has been included in the current framework of fees and funding. VTA requests that implementation of recommendation 5.5 should include a transparent assessment of the negative impact on TAFE providers of no indexation of fees and funding during the period 2009 and 2012 and that an adjustment for this be factored into fees post 2012.</p>

	ESC Recommendation	Comment (Comments are limited to 1050 characters (approximately 150 words)).
5.6	Maximum and minimum category fees and the annual cap should be removed.	<p>This recommendation has been adopted. The Government announced on October 19 that the recommendation would be implemented from 2012. VTA supports the removal of the annual fee cap and maximum fees under each fee category. Instead the maximum tuition fee will be determined by the hourly rate struck by the provider and the number of enrolled hours.</p> <p>We are concerned about the abolition of the minimum fee. Under the Government's directive on October 19, a provider could charge \$0 tuition fees. If the notion public and private benefit and of shared responsibility for investing in VET is a cornerstone of the VTG, the student should make some contribution. Investment by the individual acts as a motivator to participate and gain the qualification.</p> <p>VTA request advice on the arrangements for reimbursement from Government of tuition fees foregone from applying the concession policy where there are no maximum and minimum category fees. This advice is a high priority as it relates to 2012 TFE provider budget considerations/modelling.</p>
5.7	Concession fees should be based on a maximum hourly rate that is a specified percentage of the maximum tuition fee rate. Providers should be free to compete on price and charge all students below the maximum hourly rates specified.	<p>We reserve the right to comment on this recommendation once the specified percentage is known. We have advocated for a review of the fee differential for people eligible for a tuition fee concession and request that VTA advice be sought if this recommendation is accepted by the Government.</p> <p>Implementation cannot occur before 2013 and the details need to be finalised, systems and market materials changed and professional development for all staff engaged in advising potential students and the enrolment process.</p> <p>VTA request advice on the arrangements for reimbursement from Government of tuition fees foregone from applying the concession policy where there are no maximum and minimum category fees.</p>
5.8	The Government should reconsider the need for concessions where students have access to VET FEE-HELP.	<p>VTA reserve the right to comment on this recommendation until we know if recommendations 5.7 and 5.12 are accepted and the details of the specified percentage alluded to in recommendation 5.7. It may seem incongruous that a student required to pay only \$100 for tuition fees for a Diploma or Advanced Diploma qualification can access VET FEE-HELP for that amount. The issue is not the value of current concessions but the principle of concession recipients gaining access to VET FEE-HELP.</p> <p>At this stage it is important that VET FEE-HELP can be accessed equally by any student irrespective of their eligibility for a tuition fee concession.</p>

	<i>ESC Recommendation</i>	<i>Comment</i> (Comments are limited to 1050 characters (approximately 150 words)).
5.9	The Victorian Government should commence negotiating with the Commonwealth Government about the Commonwealth assuming responsibility for the administration of concession arrangements for students enrolling government subsidised VET.	<p>The ESC report precedes this recommendation (page 91 Volume II: Technical Analysis) with a mere two paragraphs of text. There is insufficient detail in the report for VTA to make a comment at this stage.</p> <p>It has been our experience dealing with the Commonwealth can present administrative burden and systems are overly bureaucratic and not flexible to Victorian VET needs (eg VET FEE-HELP).</p> <p>We are not prepared to support this recommendation at this stage. If this recommendation is accepted by the Government implementation should not be a priority compared to other more pressing VET and VTG policy needs.</p>
5.10	The Victorian and Commonwealth Governments should consult with providers to improve flexibility of VET FEE-HELP arrangements.	<p>VTA congratulates the ESC for acknowledging the VET FEE-HELP system and processes have constrained TAFE providers' flexibility to offer Diploma and Advanced Diploma qualifications to industry and individuals on a just-in-time arrangement.</p> <p>VET FEE-HELP is not fit-for-purpose for the VET sector being based on the higher education model FEE-HELP and associated higher education's structures to organise learning. The Victorian VET sector has met the challenge over the past decade to transform work practices to provide increasingly flexible delivery arrangements including on-campus and workplace based models. VET FEE-HELP with stringent, inflexible bureaucratic requirements has diminished the flexibility available to students.</p> <p>The introduction of VET FEE-HELP is an example of policy on the run where at the time of implementation of the policy agreement had not been reached with the Commonwealth on processes and procedures and legislative arrangements were not finalised. TAFE providers and potential users of VET FEE-HELP were confused and frustrated trying to navigate the complexities of VET FEE-HELP.</p> <p>While VTA has supported the concept of an income contingent loan scheme akin to that available to higher education students, we had anticipated that a unique VET scheme would be developed and not adaptation of a higher education scheme that suits a very different education sector.</p> <p>VTA encourages the implementation of this recommendation immediately but is not confident that our needs for greater flexibility will be agreed by the Commonwealth.</p>
5.11	The Victorian Government should consult with the Commonwealth Government about the extension of VET FEE-HELP to vocational graduate certificate and graduate diploma students.	<p>VTA strongly endorses this recommendation and has advocated for this change to the VET FEE-HELP systems since its inception in Victoria.</p> <p>VTA encourages the implementation of this recommendation immediately.</p>

	<i>ESC Recommendation</i>	<i>Comment</i> (Comments are limited to 1050 characters (approximately 150 words)).
5.12	The Victorian Government should consult with the Commonwealth Government about extending VET FEE-HELP to Certificate IV qualifications (subsidised and full fee) or alternatively nominated Certificate III and Certificate IV qualifications.	<p>VTA is concerned that the current VET FEE-HELP rules discriminate against students enrolling in Skills Deepening qualifications where a Certificate IV is nested in the qualification as they cannot get VET FEE-HELP for that component of the study program. VTA supports consultation with the Commonwealth Government about extending VET FEE-HELP to Certificate IV qualifications nested in Diploma qualifications.</p> <p>We do not support the wholesale extension of VET FEE-HELP to Certificate IV qualifications without details of the associated eligibility rules and Government subsidies for tuition fees, including access to tuition fee concessions, which would be in place. We are wary of supporting any extension of VET FEE-HELP as it stands.</p>
5.13	The Government should move toward fully reimbursing concessions based on the actual fees charged by providers to non-concession students. Under this arrangement, providers would invoice the government for the amount of revenue foregone.	<p>VTA endorses a process that reimburses providers fully (100%) of the income foregone from applying Ministerial Directions to offer tuition fee concessions. The income foregone represents the difference between the concession tuition fee and the provider's actual fee charge to non-concession students for the same training.</p> <p>The ESC may think that an arrangement whereby the provider invoices the Government is simpler and requires less administration than current arrangements. We do not believe that to be the case. There will still need to be exhaustive reconciliations between the provider's invoice and activity as reported on SVTS (or similar). Such a reconciliation process is time consuming and can result in payment to the provider well after the training has occurred. The provider bears the full costs of delivery with the only revenue being the concession fee, until such time as the Government reimbursement arrives. This can take many months currently. This is an unfair impost on providers' cash flow.</p> <p>VTA takes this opportunity to continue to advocate for a process whereby the reimbursement of foregone income in these circumstances is paid monthly in arrears as is the balance of training activity. In this way providers will receive the income during the period of incurring the costs or shortly after the training has been completed.</p>

	<i>ESC Recommendation</i>	<i>Comment</i> (Comments are limited to 1050 characters (approximately 150 words)).
6.1	The Government should retain the existing mechanisms of Student Contact Hour, Weighted Training Hour and base hourly funding rates to allocate funding to providers under the Victorian Training Guarantee.	<p>As stated in the VTA response to the ESC Inquiry into VET Fee and Funding, complex and sophisticated systems have been established to manage the relationship between the government and registered training organizations to communicate, report VET achievements, transact contractual and funding arrangements. We support the use of nominal hours to apportion government funds based on activity and we support in-principle applying weightings to a base nominal hour rate to apportion investment. However, we do not support the current practice of using attended hours to fund delivery. Program establishment costs and investment in delivery costs need to be recognised in the determination of Government subsidies as core funding for training.</p> <p>Systemic changes to other methodologies would be cost prohibitive.</p> <p>The weightings are historical artefacts and have not undergone review in some time, particularly in the light of increasing material and technology costs. We support in principle the review of weightings to reflect real costs of delivery to certain cohorts and industry sectors. The weightings should not be a way to manipulate the market.</p>
6.2	A cost and pricing review (including a survey of TAFEs, ACFE providers and for private for-profit RTOs) be undertaken as soon as practicable to update the parameters used in the current Student Contact Hour Model (including base funding rates and Weighted Training Hour funding models).	<p>VTA reserves the right to comment on this recommendation until full details of the methodology to be used for this proposed review. Further, any such review must be accompanied by a review of the unique costs associated with TAFE providers as legislated public entities and the costs to mitigate any likelihood of market failure.</p> <p>VTA requests the opportunity for further consultation on this recommendation.</p>
6.3	Base hourly funding rates should be indexed after the final 2012 funding schedule has been implemented, with an appropriate indexation factor (including productivity adjustment) to be determined following further review of costs and market developments.	VTA supports the indexation of the base hourly funding rate with an appropriate indexation factor. We categorically reject any suggestion that a productivity adjustment would be factored into the indexation.
6.4	The base funding model should continue to be based on outputs (i.e. the Student Contact Hour).	<p>For the foreseeable future we support the principle of basing funding on the Student Contact Hour. This methodology is well understood and informs national statistical, reporting and benchmarking activities.</p> <p>However other base funding models are worthy of consideration for Victorian TAFE providers as they are engaged in providing secondary education qualifications (VCE, VCAL) and higher education (Bachelor Degree, Graduate Certificate, Graduate Diploma) as well as VET. It makes sense, especially as VET and Higher Education converge into a tertiary education sector that a consistent base funding model is explored. VTA requests that a review of base funding models is initiated including examples in universities, regionality and for 'hard to engage' learners.</p>

	<i>ESC Recommendation</i>	<i>Comment</i> (Comments are limited to 1050 characters (approximately 150 words)).
6.5	The cost and pricing review (Recommendation 6.2) should include an assessment of the cost structures faced by training providers to assess whether funding payments could or should be better aligned to the costs incurred.	<p>VTA reserves the right to comment on this recommendation until full details of the methodology to be used for this proposed review. Further, any such review must be accompanied by a review of the unique costs associated with TAFE providers as legislated public entities and the costs to mitigate any likelihood of market failure.</p> <p>Refer to the response to recommendation 5.2.</p> <p>VTA requests the opportunity for further consultation on this recommendation.</p>
6.6	The current system of funding in arrears should be retained, while Skills Victoria provides training providers with more administrative guidance in order to address their concerns in relation to receiving payments on time.	<p>We support the use of nominal hours to apportion government funds based on activity and we support in-principle applying weightings to a base nominal hour rate to apportion investment. However, we do not support the current practice of using attended hours to fund delivery. Program establishment costs and investment in delivery costs need to be recognised in the determination of Government subsidies for training. Other methodologies, still based on funding in arrears, could be explored. For example, a fixed proportion upfront and the balance on training activity. During periods of low activity (December/January), costs are still incurred. Public providers may need advance payments during these periods.</p> <p>In a market model the transaction between the Government and the training provider must ensure accounts are settled in a businesslike manner (30 days) including for training subsidies, foregone income from fee concessions and other funding for specific purposes. TAFE providers cannot be left to carry the load.</p>
6.7	The cost and pricing review (Recommendation 6.2) should attempt to identify the spread of costs that are associated with teaching students of different capabilities (including higher needs or disengaged learners).	VTA supports in principle rigorous analysis of the costs associated with teaching students of different capabilities (including higher needs, students requiring greater language literacy or numeracy assistance, or disengaged learners). Currently the weightings applied to the base funding rate only reflect industry, youth and indigenous learners' needs.
6.8	The issue of thin markets should be addressed outside the fee and funding model - for example, by using a system of incentive payments (see Recommendation 7.5).	<p>VTA understands this recommendation is linked to the ESC view that the government has responsibility to fund VET to mitigate against the risks of market failure. We support this view.</p> <p>However, VTA reserves the right to comment on this recommendation until:</p> <ul style="list-style-type: none"> • more information is available on the form of the incentive payments contemplated, • providers are engaged in the process of determining and agreeing on the funding mechanisms, and • the contractual/tender relationship between the provider and the Government to provide training is transparent.

	<i>ESC Recommendation</i>	<i>Comment</i> (Comments are limited to 1050 characters (approximately 150 words)).
6.9	The gap in base rate funding rates between TAFE and non-TAFE providers should be progressively closed over the next four-year funding agreement.	<p>VTA rejects this recommendation in isolation of appropriate funding for statutory entities and university VTG providers for:</p> <ul style="list-style-type: none"> • the costs incurred in operating under legislatively imposed governance arrangements, • the costs incurred in meeting bureaucratic demands and systems of Skills Victoria and other Government agencies, • the costs incurred as a result of government ownership/control in complying with a myriad of Government legislation and policy requirements <p>The first priority is to complete the work to quantify the role of the public sector providers and community services obligations (recommendation 6.10).</p> <p>We are extremely disappointed that this recommendation has been implemented in part for 8 TAFE providers in 2012 without any proper and thorough consideration of recommendation 6.10.</p>
6.10	A review be undertaken of the funding and corporate arrangements of publicly owned training providers (including TAFEs, CAE and AMES). This review should: (i) provide a clearer articulation of the role of publicly-owned training providers; (ii) consider how funding and corporate arrangements might be changed to promote greater transparency and accountability of funds; and (iii) consider whether direct funding should be provided to fund any community service obligations met by public providers.	<p>This recommendation touches on important contextual issues including the full spectrum of costs borne by publicly owned training providers by virtue of their public ownership.</p> <p>VTA is very disappointed that the context of the public provider is absent from the ESC report. We believe there is scope in the Terms of Reference for this to be explored in some detail, yet it is absent save for a curt mention in the text (Vol II pages 117 – 118) immediately preceding this recommendation (Vol II page 118). The context of the public provider should certainly have been included explicitly in sections prior to section 6. Refer to our response to Recommendations 5.1, 5.2 and 6.5.</p> <p>That said, if this recommendation is accepted, the implementation of this recommendation must be the first task of the Government before consideration of any recommendations regarding tuition fees, subsidies, concessions and funding methodologies or the further implementation of recommendation 6.9.</p>

	ESC Recommendation	Comment (Comments are limited to 1050 characters (approximately 150 words)).
	Chapter 7: A more competitive pricing model	
7.1	<p>A market oversight body, independent of government, be established to monitor the degree of competition within different sections of the VET market (by course and/by region).</p> <ul style="list-style-type: none"> • Where the independent market oversight body 'declares' a market (or sub-market) to be competitive, there would no longer be a maximum cap on tuition fees, and providers would be free to compete on price. • Where markets are not declared, the independent market oversight body would determine a 'benchmark price' for VET courses. <p>Under both scenarios, the level of subsidy would continue to be determined by the government – although the independent body could provide advice to inform the Government's decision making.</p>	<p>VTA agrees in principal with this proposal but reserves the right to comment until we are assured of the independence of any body established for this purpose and implementation plans.</p> <p>We now question the need to establish a new body and suggest that there may be existing structures in place (for example, Victorian Competition and Efficiency Commission) to undertake such a role for VET in Victoria.</p> <p>An aspect of this recommendation is no longer relevant as the Government has declared there will be no maximum caps on tuition fees, save the calculation of the number of student contact hours x the provider's hourly rate. If the ESC attributes some other meaning to 'there would no longer be a maximum cap on tuition fees' it is unclear to VTA.</p> <p>We are also most concerned that implementation of this recommendation would create more confusion in the marketplace with some provision deemed 'competitive' and some 'not competitive'. Before venturing down this path, the priority is to simplify the current system so the end-consumer can make effective decisions about VET in Victoria.</p>
7.2	<p>All providers operating within the Victorian Training Guarantee should be required to publish: (i) the full price of the course – i.e. the full fee-for-service price that would be paid by a student who does not qualify for a subsidy; and (ii) the tuition fee for students who meet the VTG's eligibility criteria. In addition, providers should be encouraged to provide information and links about additional forms of assistance (e.g. concessions).</p>	<p>VTA supports full disclosure, to consumers of VET, of the cost of tuition fees whether they are subsidised by the Government or full fee-for-service programs. VTA supports this recommendation and adds that the full disclosure should extend to, include among other matters, methods of delivery, approximate hours of engagement and assessment strategies.</p>

	<i>ESC Recommendation</i>	<i>Comment</i> (Comments are limited to 1050 characters (approximately 150 words)).
7.3	To support efforts to improve the quality of outcomes within the VET system, the Government should investigate options to improve publicly available information on course outcomes (e.g. completion rates, student satisfaction measures, and post-study outcomes), taking into account new Commonwealth arrangements through the Australian Skills Quality Authority.	<p>VTA does not believe the ESC goes far enough in this recommendation to introduce changed processes that will better assure quality outcomes.</p> <p>The previous regulatory arrangements have not, and current processes for registration will not, guarantee quality provision and quality outcomes.</p> <p>Our experience in using metrics like those named in the recommendation, are that the tools may have some rigour but the sample sizes, timing of data collection and collection arrangements can skew the results. Caution is needed in this area.</p> <p>Above all else, processes need to be in place for speedy action to address poor quality provision including closing providers and stopping payments under the VTG. It is the responsibility of the Government to ensure public monies are well spent and not to be handballed to regulatory agencies. The relevant Government Department needs the powers to intervene.</p>
7.4	The Government should review the most efficient form of arrangements to resolve disputes between students and providers in the VET system, and to ensure that students are adequately protected. This should include an assessment of an industry-funded, complaints-based, industry ombudsman-like scheme.	<p>While VTA supports the notion of an ombudsman to hear complaints on quality issues, TAFE institutes as legal entities, have well established processes for handling student complaints in the first instance and we would wish to retain that. On the same point, the independent arbitrator should be able to handle complaints from training providers about other training providers. We will not endorse this point without further discussion.</p> <p>We do not support establishment of any new agency (ombudsman) where existing agencies may be able to undertake the functions required.</p> <p>It is imperative that processes allow for the speedy resolution of complaints/disputes and not for the issue to become tied up in bureaucratic processes.</p>
7.5	Demand-side interventions designed to promote participation in VET (e.g. attracting specific cohorts, or encouraging students to undertake specific types of training) should be addressed through a system of incentive payments that are independent of the VET fee and funding model.	VTA reserves the right to comment on this recommendation. If this recommendation is accepted, VTA requests engagement in the discussions of the implementation from the outset.

	ESC Recommendation	Comment (Comments are limited to 1050 characters (approximately 150 words)).
	Matters for further consideration	
A	There would be value to a clear articulation of the principles by which parameters in the fee and funding model are determined, and for these principles to be applied transparently and consistently across the entire spectrum of VET qualifications.	<p>Since the inception of the VTG, VTA has repeatedly requested advice regarding the principles (modelling) that was undertaken by Government and used to determine the current fee and funding models. This has never been provided and causes us to be suspicious of the rigour of the modelling. We have also been highly critical of any modelling based on current fee and funding models as these are distorted as a result of political decisions overtime. The starting point is not accurate. The ESC acknowledges that the bases for current costs do not reflect current market conditions.</p> <p>VTA strongly endorse any recommendation that will require the Government to clearly articulate the research and modelling underpinning any rules to be applied in the construction of student tuition fees and Government funding subsidies to providers for training where there is public benefit and where the funding is designed to address economic disadvantage (concessions).</p> <p>In relation to funding to avert market failure, the exact funding arrangements should not be for public disclosure but the principles used could be.</p>
B	The role of the proposed independent market oversight body could be expanded to include monitoring and investigating anti-competitive behaviour by providers.	VTA reserves the right to comment at this stage. Refer to the response to recommendation 7.1.
C	Policy-makers should review whether there is a 'maximum' or 'optimal' level of flexibility that should be allowed in the design of training packages.	<p>We refute the notion in a competency based VET system, and in the context of Training Packages designed by industry for industry, that there can possible be any restrictions placed on customisation and flexibility of design and delivery.</p> <p>If this matter has been raised by the ESC in response to the criticism of VET FEE-HELP, it is not about making VET Training Packages 'fit' VET FEE-HELP. It is about having an income contingent loan scheme specifically aligned to the Training Packages and packaging rules for VET qualifications.</p>
D	The Victorian and Commonwealth Governments need to investigate better (non-distortionary) policies in the service delivery 'overlap' between the VET and higher education sectors.	VTA supports this recommendation in-principle.