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**REVIEW OF VOCATIONAL EDUCATION AND TRAINING (VET)  
FEES AND FUNDING ARRANGEMENTS  
PUBLIC FEEDBACK SESSIONS**

**DR P. VEENKER  
PROF G. BURKE  
MR N. CHIAM**

**BENDIGO**

**10.09 AM, FRIDAY, 4 NOVEMBER 2011**

**DAY FIVE**

**Continued from 3/11/11 at Shepparton**

DR VEENKER: Good morning, ladies and gentlemen. My name is Peter Veenker, and Gerald Burke and I extend a warm welcome to you. This is a very important consultation to us, being in regional Victoria and the lovely City of Bendigo, it's a great opportunity to hear your feedback.

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The ESC report, two volumes, 43 recommendations, there's a lot in that and therefore we have designed this particular session in two parts. The first part is that we have some colleagues from the ESC with us who will give an overview of the report and then are available for questions regarding the particular report.

10 Then Gerald and I would like to move into the consultation phase, which is that we would be interested to hear from people who have registered to make a verbal submission, and I think there was probably three to four of those, and then open discussion about the recommendations and themes in the report.

15 This is a public consultation, hence we do ask that you use the microphone. The conversations are being recorded and this will assist us in terms of providing feedback to the minister.

20 Gerald and I are quite independent of government and of the ESC, and our task is to provide feedback to the minister by the end of November. It would also help us if, when you do ask a question or have a comment to make, if you could state your name and the area of VET that you are particularly interested in or perhaps that you work in. So I hope that that will provide us with the information to provide accurate feedback. Are you comfortable if we proceed along those lines?

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Having said that, the other part is that Skills Victoria did make some announcements regarding some funding and fee arrangements a little while ago and at these public meetings, they have been available to answer queries about those changes, and later today we will be joined by Skills Victoria to answer those queries. But I stress that that is quite independent of the consultation that Gerald and I are part of, and that probably will take place at the end of the session.

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Having said that, I would like to introduce my colleague, Gerald Burke.

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PROF BURKE: Thank you, Peter. The order is now that we will have Linda Duncan and Angelina Garces from the Essential Services Commission give you an outline of the recommendations of that report and answer questions on that, that is for the next 20 to 30 minutes.

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Linda and Angelina were part of the team led by Ron Ben-David, the head of the Essential Services Commission, who produced this report over the last six months. Linda is going to present and then they are both available to answer questions.

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Since Nick claim from Skills Victoria has done better than us, he probably was like I was, standing outside the art gallery but not knowing it was 50 View Street. Nick has arrived from Skills Victoria and it might be a way of at least setting the scene a bit more clearly about distinguishing the budget decisions made by the government as distinct from the report that was put in by the Essential Services Commission as distinct from the consultations on it that Peter and I do. So, Nick, if you would like to take over.

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MR CHIAM: I'm very sorry for being late. What I wanted to do was to do two things: one is to explain changes that were announced by the government, now a couple of weeks ago, relating to VET fees and funding arrangements for 2012 and then, as Peter has said, explain to you from my perspective the relationship between those changes and this process so that certainly from the government's perspective, I can be as clear as I can be about the relationship between the two pieces of work.

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In response to the significant growth that we have seen in the VET sector in 2011 under the introduction of the full Victorian training entitlement, Victorian Training Guarantee, the government has chosen to make three or four key changes to the system and the published fees and funding rates for 2012 prior to the start of the 2012 year. The government has chosen to make those announcements now to try to give providers, including, I imagine, many of you in this room, as much forewarning as possible of the changes prior to the start of 1 January 2012.

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The changes that have been announced include: one, a reduction of 25 per cent in the difference between the hourly rate of funding that large TAFE's receive, TAFE's with reported revenue of over \$100 million, a 25 per cent reduction in the difference in funding that they receive as compared with non-TAFE providers. That hourly rate varies from level to level. At skills deepening level, so advanced diploma and diploma, there is no change in the 2012 published rates because those rates have come into line, or were to come into line, in 2012. However, there are varying changes, depending on the proportion, depending on the actual dollar difference between the rates at different levels.

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- The second key change is in relation to the weightings that are applied to training in certain industries. Seven industries have been identified where there was particularly strong growth and has been particularly strong growth in 2011, as well as some evidence of discounting by providers which, as the ESC report suggests, is one way of considering evidence that there may be over-subsidy in those industries and so those industries that are being targeted have had growth of up to 440 per cent in some cases in delivery in 2011, as compared to previous years.
- 10 The weightings changes vary from industry to industry, but there are small weighting changes that have been made. The list of those industries is available, has been advised to all currently contracted RTOs, and you can get more information on that on the Skills Victoria web site.
- 15 The third change is to student fees, and that is to remove the annual minimum and maximum caps that apply to student fees. For those of you that are in the system or work in the system or have read the ESC report, you will be aware that there are two types of controls in the VET system: one is an hourly on fees, one is an hourly tuition cap which providers are not able to charge more than for the scheduled hours that they deliver. That cap remains in 2012 and the fee levels from the published fee levels are unchanged.
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- What has been removed is the additional control which is the minimum fee, which means that providers had to charge a student a minimum tuition fee, and that level varied depending on the qualification level, as well as a maximum tuition fee. Those two controls have been removed for all new students commencing in 2012.
- 25
- The fourth announcement wasn't a change, but the rates for apprenticeships in 2012. These were, until this point, unpublished for 2012. The rates that have been published bring apprenticeship fees and funding in line with fees and funding for traineeships, which means that, broadly speaking, an apprentice will pay the same fees and the provider will receive the same funding as they would for a cert III student in a non-apprenticeship or traineeship pathway, noting that where apprenticeships, as with traineeships, where an apprentice is studying a diploma or an advanced diploma as their apprenticeship qualification, as with traineeships, that is treated still as an apprenticeship rate rather than a diploma and advanced diploma rate.
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- 35
- 40 They are the four key changes that have been announced by the government. As

I said, these are announcements the government has made now to try to prepare or advise providers prior to the start of 1 January 2012. While these changes are consistent with some of the directions proposed in the ESC report, they are not the government's formal response to the ESC report. The government chose to  
5 make change and to try to manage growth in 2012, and has done so far as possible in line with the ESC's directions.

The full set of ESC recommendations include quite significant reforms beyond essentially changes to the current fee and funding settings and include significant  
10 reforms, as we will hear shortly, in relation to longer term change, price liberation or deregulation and other key changes to concessions and exemptions. That full package of recommendations will be considered by government as it goes into the next budget cycle and a response, including a response that considers the  
15 outcomes from these consultation processes - and this is the last of the public forums from this consultation process - the feedback from you today and the feedback from all of the other consultations, as well as online, will be considered by government as it considers its full formal response.

So while I understand that the timing of the announcements may have raised  
20 some concern or confusion about the relationship between the two processes or decisions, I can assure you that the government is still yet to consider the full ESC report and your feedback on that report.

Conscious of time and conscious of having already been late, I'm available after  
25 this session. If any of you have any questions about the actual changes that have been made or where you can get more information about them, I'll be available at the end of the session and I am happy to answer those questions.

PROF BURKE: Thanks, Nick. Now I will ask Linda Duncan, from the  
30 Essential Services Commission, to give her presentation.

MS DUNCAN: Good morning, everybody. Firstly, I have woken up with hay  
fever, so please bear with me. This presentation is really just a short overview of the commission's recommendations. I will be moving through it fairly fast. I  
35 hope you have had some opportunity to have a look at our report and are vaguely familiar with our recommendations, but if you've got any questions, we can clarify issues at the end.

For those who aren't familiar with the Essential Services Commission, we are  
40 Victoria's independent economic regulator. Traditionally, we're involved in the

energy, that's gas, electricity sectors, the transport sector and the water sector, and through our work in these areas, we have developed some expertise in relation to government funding and fee and pricing issues, and it was with this in mind that we were asked to examine the VET fee and funding framework.

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As a background to this review, you would all know that there were significant reforms in around 2008 that removed the cap on student places and introduced an uncap based on eligibility criteria and also opened up the market to more contestability between private and public providers.

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The commission received our terms of reference on 4 May, so that was just a five-month process. During this time, we received submissions, visited a number of training providers and undertook public forums in both Melbourne and Bendigo, so I do recognise a few people who attended that forum. Unusually for us, we didn't release a draft report because the time frame was so short, but essentially we produced our final report, made recommendations and now you have a opportunity to provide comment and feedback to the expert panel, so there is still that opportunity. The commission will equally be interested in seeing the feedback that you provide.

20

As economists, I guess those reforms in 2008 really started trying to get the VET market to work as a market, so we were asked to look at whether that market was working efficiently to achieve the government's objectives. We found that an efficient fee and funding model would look something like this, and just to explain: the price is the price that a training provider is willing to provide training at, so the price that they must be paid, and that would be equal to the fee they receive from the student and the subsidy they receive from the government.

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We felt, for a number of reasons, that this condition wasn't currently being satisfied by the current arrangements and that there could be some improvements. For the market to work better, we thought that there could be removal of constraints, particularly in regard to the tuition fees, improved transparency and better information regarding training quality and also better information to those people who make decisions in the market: the students, the providers, the government and the employers.

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As has been mentioned, we did make 43 recommendations across a whole range of issues. Some of those included issues that weren't within the scope of our terms of reference, but we thought could be looked at further. So I'll just go through each of those.

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Firstly, the eligibility criteria or the Victorian Training Guarantee, you would all be familiar with this. Essentially, there are budget constraints on the government and our terms of reference specifically requested that we take this into account.

5 We were asked to make our recommendations prudent in the context of the state's budget position, and in essence I guess this creates some winners, there will be people who miss out on training, so therefore some losers. Maybe under the previous system, there were also people who missed out on training, they were the ones who didn't get in in time to get one of the allocated places perhaps.

10 However, we did consider that the VTG could be improved in a number of areas and that it was perhaps working against the achievements of the government's objectives. For example, students with outdated qualifications, consideration could be given to providing them with some form of subsidy to undertake training

15 at the same level. We said after seven years, a student could have access to a partial subsidy and after 15 years, access to a full subsidy.

What those years are, whether it is seven or 15, I guess is an issue for your comment to the expert panel. What was more important to us and what we

20 wanted to get across was the principle of a partial subsidy and just the idea of it, and not get caught up so much on the exact number of years.

Also for the VTG, we thought that the VCE and VCAL shouldn't be taken into account when considering whether a student is upskilling or not, they're separate

25 to the VET process, and also that apprentices and trainees should be considered the same as any other student and not given preferable treatment, and I'll talk later about if the government did want to support them, then it should be done separately.

30 With regard to the eligibility exemptions, this is something we heard quite a bit about in our submissions and when we went and spoke to people, and because we felt eligibility exemptions are about assisting those students who can't afford to pay full fees and therefore this was a matter of income and unemployment or employment status and the Commonwealth Government was perhaps in a better

35 position to make decisions about those students who were affected by those issues. Therefore, there was greater scope for the Commonwealth Government to be involved in administering a more targeted approach to assist these students. So we suggested that the State Government should talk with the Commonwealth Government about how that might be improved.

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5 In the short term, we thought that a number of improvements could be made to the way exemptions are currently allocated. Ideally, they could be administered by Skills Victoria centrally rather than by the providers, or alternatively if the system continues where exemptions are allocated by providers, that providers be given additional guidance to clarify the objectives and who the government was exactly trying to assist.

10 That allocations of exemptions occur twice a year in line with peak enrolment periods, and that they be based on a market share of providers in the previous year. Importantly, that allocations be based on a value rather than a number of subsidised places, and this would provide more flexibility to providers to assist their students and determine what their level of appropriate training was.

15 With regard to tuition fees, as I said, we thought there were a number of constraints on tuition fees that prevented the market working efficiently. We suggested removing the minimum and maximum category fee caps and the annual cap, but maintaining the current maximum hourly tuition fee. This would, I guess, simplify the system and make it easier for students to understand what prices or what their fees would be. To also assist in this, we recommended that  
20 providers should be required to publish the fees, and that's the fees that are charged to full fee students as well as the fees charged to subsidised students.

25 In the long term, as the market develops and there is increased competition, especially in particular areas or particular courses, the maximum hourly tuition fee could be removed in these areas, where there is sufficient competition to prevent students being adversely affected by inflated fees. However, we recognise that there is unlikely to be sufficient competition in all areas and that some areas will never have that cap removed, such as for particular training courses or in particular regional or rural areas. We also recommended that the  
30 maximum hourly tuition fees, the fee schedule, be indexed annually, perhaps by the CPI, and that might mean that tuition fees go up in accordance with the CPI every year automatically.

35 With regard to concessions, again this is an issue about income, employment and a student's capacity to pay, and we felt that the Commonwealth Government was perhaps in a better position than the State Government to assess these. They have better information through Centrelink, et cetera, and that they could play a greater role in administering concessions separate from the fee and funding model.

40 However, in the meantime, where concessions are administered by the state, we

felt that concessions should be calculated as a percentage of the maximum hourly tuition fee, rather than the current arrangement which is just a fixed fee, they pay the minimum category fee. Obviously with that minimum category fee being removed, there would be no minimum, but concession students would perhaps -  
5 you could think about it as them receiving, say, a 50 per cent or a 75 per cent discount on what the non-concession student would receive.

Again, we didn't put forward what that level of discount should be, that is a policy decision for government. It was really the principle we're trying to get across,  
10 that they should be calculated as a percentage, which would enable the concession students to pay fees that reflected the training that they receive in terms of the number of hours of training.

We felt that providers should be fully reimbursed for the concessions that they provide to students and also that the availability of concessions should be reconsidered where students have access to VET FEE-HELP. VET FEE-HELP already is the mechanism that is able to assist students who have capacity to pay issues and therefore the need to continue concessions in those areas should be reconsidered.  
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20 For VET FEE-HELP, we recognise that this is a Commonwealth Government policy and suggested that the State Government might consult with the Commonwealth Government about improving the flexibility of VET FEE-HELP, making it more adaptable to the VET market, and also extending it to Vocational Graduate Certificate, Vocational Graduate Diplomas and certificate IV  
25 qualifications; if not all certificate IV qualifications, perhaps a nominated list of certificate III and certificate IV qualifications.

30 With regard to funding, we recommended that there be cost and pricing review undertaken that is aimed at understanding the costs faced by providers and better aligning the funding rates to these costs; that the funding schedule moving forward should be indexed annually, similarly with fees; and that the TAFE and non-TAFE base funding rates should converge over the next four-year funding agreement, but in doing that the governance and funding arrangements of the  
35 public providers should be examined to determine whether there are additional costs faced by the public providers and if there are, what those costs are and how they might be funded separately to the fee and funding arrangements.

40 With regard to thin markets, we felt that in some markets there won't be sufficient competition such as for specific courses or in regional areas or rural areas, and

that any of these issues should be addressed outside of the fee and funding model through, for example, incentive payments.

5 With regard to higher needs learners, we heard that there was an issue with higher  
needs learners and that providers do incur additional costs in relation to higher  
needs learners, but it wasn't well articulated who higher needs learners are, how  
they could be defined and identified easily through the funding system and  
consistently, and that the costs associated with them weren't quantifiable or  
weren't readily quantifiable at this stage. So that funding and pricing cost review  
10 should attempt to identify any additional costs with higher needs learners and,  
through this process, a better way of providing to providers to assist them deliver  
courses to higher needs learners could be determined.

15 With targeted market intervention, as economists we like to think that the market  
will work perfectly and it will achieve the government's objectives. Obviously,  
this isn't realistic in all cases and that there may be some market failures. If there  
are, that these should be addressed separate to the fee and funding model to  
decrease or minimise the distortion that is in that model and that they should be  
addressed separately through, say, targeted incentive payments. This may be in  
20 the areas to address issues such as skills shortages or to improve participation by  
particular student cohorts, so there could be payments given to students to  
undertake training in skills shortages areas, for example.

25 For the market to work efficiently, we felt that there really needs to be better  
information provided to the decision makers and that there should be better data  
collected on training being offered and undertaken, and that's both in relation to  
subsidised students and full fee paying students. Together, they make up the  
VET market. You can't just determine what is appropriate by looking at one side  
of that.

30 Information should be improved regarding training quality and also career paths,  
employment opportunities and skills shortages areas, and that is to assist students  
make informed and better choices about where they undertake training. Also,  
information could be improved on the Victorian Training Guarantee itself, and  
35 that is particularly to help students understand the consequences of undertaking  
training in a particular course at a particular level for future training possibilities.

40 Our final area of recommendation related to an independent market oversight  
body, and this body would be responsible for monitoring and providing advice to  
the government on the operation of the VET market. This would include

information on tuition fees that are being paid by government-subsidised students and full fee paying students, and where providers are required to disclose those amounts, that information would be available.

5 It would collect and provide advice on changes and trends in course enrolments and also the number of providers offering courses in particular levels and areas and geographic locations. Importantly, this body would not be responsible for setting tuition fees or subsidy levels or concession rates. This body would just be providing advice to the government to help the government make informed  
10 decisions about these matters.

That is a very brief, fairly high-level overview of the report, but we are happy to take questions and if you have a question, I think you can come to the mic so that it's on the transcript.

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DR VEENKER: Are there any questions or points that people need to clarify regarding that overview of the report?

MR JAKOB: Greg Jakob, from the University of Ballarat. My question is sort  
20 of around the report, in the sense that you regulate a whole range of industries and you make a lot of recommendations around reports. In your experience, with a report as detailed as this, how often has government taken up the report in full, what sort of time frames has it taken to take up the report issues, and what sort of consequences have occurred of not taking up your recommendations?

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MS GARCES: That would be a difficult question to answer. It's probably fair to say that a lot of the work that the commission actually does is outside of providing advice to government, so a lot of the work that we do is actually determinatory in that we make the decisions and they are implemented.

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In terms of the advisory work, I think our experience has been that generally government takes up - if it doesn't necessarily take up all of the recommendations that we make, it does benefit from understanding our review of the some of the principles that were in place and it takes those principles and it might adapt them  
35 and respond in its own way based on the information, and in this case I guess the added public consultation that takes place.

So it's hard for me to say exactly how often recommendations get taken up. In terms of if they don't get taken up, often our reports will lead to additional work  
40 because what our recommendations might do for government is they might

identify that there is a problem in a certain area or something isn't quite working the way they thought it should be working and that might actually highlight, "Okay, we actually need to go away and do some more work because we don't like what the ESC has recommended, but we do acknowledge that perhaps  
5 something needs to be done in that area, so we'll go off and do some additional work." I don't know if that really answers your question.

MR JAKOB: It does. It means the likelihood of taking up the report, there is relative risk that things may be implemented as discussed.  
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MS GARCES: I can't comment on that. All I can say is that our role is an advisory role. We do provide our recommendations - - -

MR JAKOB: You've answered my question in that regard.  
15

MR PERRY: David Perry, Association of Neighbourhood Houses and Learning Centres. I was just wondering if the ESC took into account overseas experience of trying to introduce market models into Vocational Education and Training?

MS GARCES: We didn't specifically. We did, I guess in some of the early work that we were doing, have a look at what else was going on in different countries. Given the limited time frame that we had, we didn't have a lot of opportunity to actually delve deeply into what was going on in other markets, so I guess we didn't draw on the experience as much as perhaps we could have.  
20

MR IRVINE: Ian Irvine, Bendigo TAFE. I was just looking at recommendations 4.9 and 4.10 and I would like to ask you why you stopped at only equivalent level qualifications there? Was that an economic decision or an educational decision? We have a lot of people who have got outdated degree  
25  
30 qualifications.

MS GARCES: Can you remind me what 4.9 and 4.10 actually are.

MR IRVINE: They're to do with, "The government should consider allowing  
35 people whose highest qualification is between seven and 15 years old access to a partially subsidised training place," and the second one is the above 15 years.

MS GARCES: Yes. So you're asking in terms of the equivalent. As Linda was saying in the presentation that she did, we were bound by making  
40 recommendations that were prudent and - - -

MR IRVINE: So it was an economic decision?

5 MS GARCES: Not so much an economic decision. That was part of, I guess,  
the thinking behind that. I guess it was also in terms of being consistent with the  
upskill policy that lies behind the whole framework, because we didn't want to  
introduce different incentives in - if you say equivalent level, it still is consistent  
with the upskill policy, but it is allowing people that in effect have outdated  
10 qualifications to still at least be able to get in and take advantage of that, so  
they're not completely locked out.

MR IRVINE: There are obvious issues, I think, for a lot of providers with  
people who are trying to change completely after long periods out of the  
workforce.

15 MS GARCES: Yes. We did get a lot of that feedback and I guess in an ideal  
world you would want to open it up to everyone and, as Linda said, there are  
always going to be winners and losers. So you need to draw the line somewhere  
and I guess from the feedback and the discussions that we had, we thought that at  
20 least allowing people with outdated qualifications some partial entry back into the  
framework was an improvement in terms of achieving the government's  
objectives.

PROF BURKE: Any more?

25 MS WILLIAMS: Felicity Williams, from Bendigo TAFE. In relation to that  
issue, the vexed eligibility issue, obviously a really important part of TAFE's role  
in its community is to understand the workforce capability needs of the region,  
respond to those needs, and that is definitely in the spirit of the demand-driven  
30 policy, to ensure that we are more responsive to workforce capability needs, and  
obviously the eligibility thing has taken a big chunk out of our ability to do that.

I suppose there are a couple of things that we understand about workforce  
capability needs and that is that they do need that breadth, where they often do  
35 need people to move sideways rather than up, and that is a workforce need, it's  
not even an individual need, it is not even a career need, it's a, "This is what we  
need in this workplace."

I suppose one of the other things is in thinking about the economic argument,  
40 have you thought about skill sets as a way of rationing demand? We know that

workforce are asking for skill sets in a lot of cases, "We need this, this and this to meet this workforce capability need," but if you have someone who has, say, completed a trade qualification, a cert III, then obviously they can't do those skill sets in a funded way. Then we come to the regional situation, where regional areas are challenged and often they can't come up with paying full fees for their workforce. So I want to put that to you.

The other thing is that there are instances where, in the example of children's services, for a diploma, which a lot of people might be eligible for, a prerequisite is the certificate III, and that's a packaging role. While people might be eligible for a diploma, they have significant difficulties in doing the certificate III.

So have you looked at specific examples of those sorts of things? Going back to the skill sets issue, there are areas of skills demands, like aged care, nursing, that sort of thing, where those sorts of solutions would be really important.

MS GARCES: I think there's a whole bunch of questions wrapped up in there.

MS WILLIAMS: Sorry.

MS GARCES: No, I'll try and answer them as best that I can. I guess in terms of the skill sets issue, it was something that was raised with us and we did consider. I don't think we directly addressed it in the report and that's partly because one of the government policy directions that sits behind the fee and funding framework is around completion and is about qualification attainment, and our job was to look at the framework in terms of how it's meeting those objectives.

That was the focus that we took and that kind of policy direction was taken as a given. So our focus was really around how effective are the fee and funding arrangements in terms of achieving qualifications, rather than generic or specific skill sets.

Some of the targeted market intervention that we talked about is a possibility for addressing some of the issues that you have raised, whether it is particular skill sets that are being looked for or whether it is a case child care services in a particular geographic area, we are saying use incentive payments either for students or providers to address those outside of the fee and funding model.

One of the principles that we took was that you could design a fee and funding

model that tried to address all of these issues, but it would create lots of distortions and it would make that model very complicated. What are you trying to do with the fee and funding model, and again I think our long-term strategic vision is around using the market and market information to better align supply and demand within that model and using that to understand where the drivers are for particular skills or needs.

MS WILLIAMS: The qualifications drive is not responsive to demand.

10 MS GARCES: That's an interesting thing and I think - - -

MS WILLIAMS: You only have to look at completion rates.

15 MS GARCES: I understand that, but then I would also say back to industry and to employers: what are they doing in this space. I mean, they have a responsibility to contribute to the funding of training.

20 MS WILLIAMS: They only need certain things. They're in a space where qualifications aren't important to them. They are important to the individual, but they're not important to the employer.

25 MS GARCES: Throughout the report, we did talk about there needs to be a lot more information that is collected about outcomes and where training is being taken and not undertaken, and that market oversight body that we talk about in the report, we see that as playing a really important role in terms of collecting that sort of information and understanding what the drivers are and then feeding that in so that you can adapt and develop the framework so that it does better meet the demands out there.

30 We were kind of limited in terms of - as I said, we had specific objectives that we were being asked to assess the framework against and that was the principled approach that we took in the short time that we had.

35 MR PERRY: Can I ask a second question, and it relates to a previous question concerning outdated qualifications. Was there a particular reason that the use of training packages, which often specify exactly what sort of qualifications are current and have value, can be accredited in terms of a new qualification, I'm just wondering why the commission looked at an age of qualification based on years rather than its relevance to a training package, and picking up on the point that particularly where it is limited to eligibility then for a qualification at the same

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level.

5 The case may well exist where someone has, for example, a diploma and there is a case in point, to study an equivalent diploma you may actually need a prerequisite in another qualification that you don't have and will be excluded on that basis from participating, even though technically you would be eligible. Does that make sense?

10 MS GARCES: I think so. In terms of the outdated qualification, we have feedback from people that we had spoken to that typically training packages probably get reviewed or renewed about every seven to 10 years. That was the feedback that we got, and you're shaking your head so you probably don't agree with that.

15 I guess the principle isn't so much seven or 15 years, the principle was around partial subsidy, full subsidy. So however you define what that is, and again that's feedback, it's an opportunity for feedback to the panel, I guess what we were trying to propose was really a principle around, in the case of outdated qualifications, if you could at least allow a partial subsidy over a certain period  
20 and then a full subsidy when they can get back in again, that would at least address some of the concerns that people were telling us as we went around doing the review.

25 PROF BURKE: We should leave the ESC's part of the program at that stage. Thanks, Angelina and Linda, for the last couple of weeks, too, when we have been touring various places. I should say to them they can't come to Bendigo unless they're going to the gallery now.

30 DR VEENKER: Thanks very much. We move into the feedback stage now and we would like to do that basically in two parts. The first part is that we are keen to hear from the people who wish to make a verbal submission and if we could have some conversation regarding that, that would be terrific as well, after they have done that.

35 Then we would very much like the second part of that to be first a reaction to the overall report from you and then perhaps some comments, ideas, suggestions, regarding the recommendations or themes that you can identify coming out of the particular report as well. So we would like to go forward along those lines.

40 As part of this feedback session, we also urge you to think about providing some

feedback online. You may leave the session today and think, "I wish to reinforce this point," or, "There is something that I have thought of that I would like to pass on to the panel." So please use that opportunity, it's available to you.

- 5 If we proceed now with the verbal submissions, and I understand Maria Simpson would like to make a presentation.

MS SIMPSON: Thank you very much for the opportunity. I have wavered a bit on this, but I feel I really do need to take the opportunity. There are a number of  
10 things I want to make points about and I won't go into a lot of detail about them.

First and foremost, I think there is a philosophical one about market-driven economies and whether a market-driven education economy will really deliver the education and skills that the government requires across the Victorian  
15 community or whether in fact it will fail to do in the end.

I think that's something that needs to be considered. I think if you look at market-driven economies overseas, where education is driven only by market forces, you don't necessarily get the well-developed health and wellbeing of  
20 communities, educated communities and skilled communities, that perhaps we might be seeking to achieve.

I do understand that the fee and funding review was an attempt to remove fees and have them as a separate element of the entire funding arrangement, and in and of itself it's looking at fees as a lever for the government to be able to place  
25 funds where it considers most important. As such, I think that's not necessarily a bad thing.

However, I think it does fail to look at the complexity of the funding situation that needs to be considered in its entirety, especially in light of government's service obligations and how they are to be met in a range of areas, one of which is  
30 in regional areas, where things do differ from metropolitan and market forces are not the same, and largely it is TAFEs that are seen by government as being their arm to deliver a lot of their requirements, both in terms of the wider community obligation of skilling of the community, but especially in areas like youth, which  
35 in fact need very special support mechanisms to enable encouragement and engagement with youth and their continuation in training and education. There is cost associated with that and that is cost that won't necessarily be borne by a fair and equitable market pricing system. So it does need to be considered in some  
40 way.

5 I think one of the themes of the funding review was to look at reducing complexity and providing simplicity. I don't think it does that at all, I think it fails abysmally at that, and I think a lot of the recommendations within it add layers of complexity rather than seek a simpler solution for us all.

10 As my colleague, Felicity, raised, there is an issue of the reskilling of individuals, especially those coming back into the workforce or the needs of industries seeking a broadening of skills rather than an upskilling, and I think that there does need to be consideration made for the support of individuals who are trying to meet the needs of their employers or who are returning to work and want to move sideways rather than up in the education stakes.

15 I think there is also a question of whether there is an intention of the government, and I think it was one of the statements that was made there, the intention of the government to fund private and public RTOs equally over a period of years, and if that's the case what is to happen to institutions like TAFEs that have legacy requirements of infrastructure management and maintenance and labour force legacies that new and smaller RTOs don't have, and especially in regional areas, 20 how those issues are going to be addressed.

I'm sure there are quite a few others, but I think that that is largely made a number of the points that I would like to make about it and I thank you for the opportunity.

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PROF BURKE: Thank you very much. I don't know whether you're in a position to put something in the online submission.

MS SIMPSON: I can do that.

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PROF BURKE: It would be very good to have that and particularly if you are able to add some detail about your views as to where you see the extra complexity coming from, that would be very helpful when we are transmitting these views.

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MR JAKOB: Greg Jakob, director of planning, quality and review from the Ballarat University. We send our apologies from Prof Andrew Smith, who is the pro vice-chancellor of schools and programs and effectively the TAFE director, who is unfortunately unable to make it today.

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5 There will probably be common themes coming out of what we are saying and we do intend to make a submission around matters, but we would like to make a few points today and in doing so, probably just put a context around what we are trying to say, notwithstanding there have been implementation issues and there are report response issues.

10 I think it is not fair to say that we can differentiate between what has been implemented by government now and what the report is proposing to do in a holistic sense. Hence, my earlier questions about when you get a large and complex report, what is the risk that it will be picked apart and implemented in a way which may be totally aside from the implementation of what it saw.

15 In fact, in our view, the report is a comprehensive report about the system as a whole and seeks to address some systemic issues around how government may better place a demand-driven funding system, and many of those issues and many of the recommendations do not relate to price, nor do they relate to the differentiation between TAFEs and private providers.

20 They do relate to how each of those institutions play in the marketplace, they do relate to trying to unpick very complex historical issues, and in our view the report says it quite clearly: there should be a comprehensive approach to how those should be considered and implemented rather than just picking the simple budget management matters out in place.

25 The other part is really that there is one system at practice. There are some other forms of payment to regional providers, to try and identify how their marketplaces work, but in reality it is one system of practice, one set of prices. I think if we're going to move to the complexity of implementation of these reports, we really do need to ask questions about delivery in regional areas and how that occurs, particularly because it would be quite evident in the information that is publicly-available, TAFE operations, which are the largest providers in regional areas by far, are not highly profitable businesses, they are in fact quite marginal businesses and operate in very complex environments of communities that are dispersed over wide geographical regions and who do not have the advantages, potentially in Melbourne, of being able to access a variety of competitive providers.

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40 In our view, we think, and we will be putting quite strongly, there needs to be serious consideration about the provision of VET in rural and regional areas and the role that TAFE has played in that and the role that we acknowledge private

providers have played in that, but substantially TAFE is the provider of education in rural and regional areas and in fact the provider of a broad range of educational opportunities, not just what the market can afford. As a consequence, some of those opportunities are provided at subsidy from other parts of the operation.

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In terms of the report itself, we probably are going to the blunt instruments and what they're doing that have been implemented today, the issues of coming to a comparable price between private and public providers and the other issues of changing the payment rates for apprentices and traineeships inside the system, as well as changing the weighting of rates according to the purported demand and supply side of the business.

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I think it is also important to note that, from a student perspective, take it outside and look at it from a student perspective, they engage with this system based on the subsidies that are provided to providers and the price of tuition fee that they can afford to pay within the system of practice. If you look at the message that was put up before, the price equals the tuition fee and the subsidy.

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The other thing that has been missed in this and the comment that was made in the report is the price should reflect the price of delivery of a reasonable set of services. No-one has said that the changes to price that have been implemented are actually reflective of the cost of service, other than we know that there is a lot of competition out there and it is costing us a lot more money.

20

So when you alter the subsidy and you alter the student tuition prices, you are effectively determining for the student what they are going to get. They can only take up their eligibility in the context of those prices, and I'll get to that a little bit later, but I think that is an important point.

25

I would like to reaffirm the issue of the legacy issues that institutions face and particularly in regional and rural areas. We have talked about the labour market conditions that have been built up over time to support a quality training system, and I haven't heard government say that they want to change those particular matters. We are working with infrastructure that has been constructed over periods of time, and in our case 140 years.

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The issue of providing comprehensive training services to communities, where they don't have the advantage of going across a whole metropolitan area to seek what they want. As a consequence, you need to understand in regional markets that we deliver, most of our students, in fact 9 out of 10 of them, are coming from

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the local area and the local community. So we are not engaging with students other than when we go to seek other market opportunities outside our region, with highly demand-driven areas of training, and therefore the consequence of what we call commonly now thin markets.

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Two things around the student tuition fees, and then I'll talk a little bit about apprentices, if I can have the time. We know and we have seen that regional students are less able to pay higher fees to participate in training. They are very, very, very price sensitive. In fact, if you look at the issue of the VET FEE-HELP that has been put in place to support people at diploma level, the majority of people that are taking up that help are eligible students, not ineligible students. So in fact the purported lower rates that are available to fully subsidised students are having difficulty paying the higher fees, they are deferring those fees absolutely.

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So in a regional market, the context that if we reduce the subsidy the government pays and students can pay higher student tuition fees, we would argue that that is not a true argument in that context, that there are very, very, very tight price constraints on the affordability of training for students. To support that, nearly one in three of our students come from low SES backgrounds; nearly four in ten, probably more than that, are on a concession basis. So it's a substantive part of the student body that has an inability to pay that tuition fee.

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In terms of apprenticeship training, we are really concerned in the regional areas that changes to apprenticeship funding arrangements and, in particular, the capacity of apprentices and trainees to pay fees and charges or their small business enterprise in rural and regional areas, is another constraint to the purported benefit of allowing student tuition fees to take up the slack in relation to government decreases in subsidised training.

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So they're a couple of points we just wanted to point out on the side, that there are broader frameworks that haven't even been considered before the levers of fees and charges have been pulled, and yet we have a situation where government is prepared to pull them quickly and harshly.

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Just a couple of final matters in particular. To give an example of what this system has done, and diploma areas are probably the main area where you can see that the price differentials between private and public providers are now no longer existent, you can get an example of what that has meant from a public provider operating in thin markets where there is only a localised demand, not one that has

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access to a higher demand.

5 You might take, for example, something like a diploma of business. At 1 July 2009, we were able to charge a higher student tuition fee rate, which went up to \$2000. We were getting paid \$7.50 for a student contact hour and, based on the training for that particular package, the organisation could have been entitled to about \$6500 per student to train a student.

10 Come 2012, when you take into account the reduction in prices that have been made to come back between the public and private provider, the reduction in the weighted training rate to 70 per cent instead of 80 per cent of the rate, you now going from a government subsidised rate of \$7.54 to \$4.55 per student contact hour.

15 The competition around those, and this is an area where there are low barriers to entry and competition has come into that marketplace, students now know that they can get a diploma for 500 bucks. That has been a pretty well-established market principle now. So what you've got now is a degree or a diploma that would have been paid \$6418, that is what the student would have been giving an RTO that amount of money, and therefore - - -

PROF BURKE: That is the student fee plus the subsidy?

25 MR JAKOB: Yes, the total amount that was paid to an RTO. So the student entitlement would have brought to the RTO that amount of money and would have deployed that amount of resources. Today, that is \$2866. No change in the way in which the training should be undertaken. We talk about efficiency and effectiveness. You're talking about a 40 per cent reduction in the resources that that student can give to a provider to give them that diploma.

30 PROF BURKE: Just for clarification, the rates coming down, you say that the subsidy - - -

35 MR JAKOB: The subsidised rates reduce from \$7.54 to \$4.55 per student contact hour. That is the practical example of the decisions that have been made.

40 The report talks about quality. The student has done nothing other than try and present themselves to a provider, public or private, whoever is producing that particular good in a competitive market, and now their resources that have been deployed to their education is a third of what it was. Where is quality? What

pressure does that put on quality?

I'm not making a comment on whether the private provider or the public provider is better, but in a two-and-a-half year period, the resources deployed to that student's learning that they are getting put into the system to help them learn is one-third of what it was come 1 January 2012 compared to less than two and a half years ago. Don't talk to me about efficiencies. That is a public policy decision based on what the competition may or may not do.

The consequence of that in that particular area is the government has said, "We are prepared to accept," in my view, implicitly, "that we will go to the lowest cost provider as the norm." That's fine, volume is then the issue. It is a simple market fact - the economists have gone - price and volume. Where is the quality? What could happen to quality in that context?

A student was getting \$6000 worth of resources deployed to them and now they're getting \$3000 worth of resources deployed to them. I would just like to leave you with that context.

PROF BURKE: Thank you, Greg. Is Jim Box going to present also? No, okay. Gordon Jennings? Not here. David Perry, you were going to present.

MR PERRY: Thanks for the opportunity. I have to say, in starting, that I work for the Association of Neighbourhood Houses and Learning Centres, but also for Adult Community Education Victoria and represent both those today, both of which are the two peak bodies that cover 90 something per cent of ACE providers in Victoria.

I would like to start by saying that, broadly, we are supportive of much of the report and recommendations. We particularly welcome the recognition that a purely market-based regime can't work on its own. We also welcome the suggestion that the exemption regime needs to be replaced and we also welcome the recognition of the issues of quality that are currently evident in their provision, even though they were outside of the terms of reference, and I very much welcome the concerns that were expressed and the fact that there are some remedies recommended, although we don't believe those remedies will be completely effective, based on the list of considerations that are presented in the report.

But we do have some serious concerns in a few areas. The first of those is around

the funding of Community Services Obligations and particularly as they apply to ACE providers. We don't believe that the role that ACE providers play have been adequately acknowledged, and I would like to talk at some length about that in a moment.

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The second is the failure to address the problems of funding in arrears, which impacts very negatively on ACE providers, and I'll talk a little bit about that. Third, there is a recommendation that VCE, VCAL and VET should not be taken into consideration for the purposes of determining eligibility for upskilling. The report talks about that in the context of school-based acquisition of those qualifications, which clearly will discriminate against students who acquire that in either a TAFE or an ACE provider, even though they are still of school age.

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Also the failure to recognise the inequity of allocation of exemptions based on market share. The concern that any pricing body or process - as it stands, there's no mention of consideration of educational merit to maintain the quality of VET provision and it relates to what Ballarat University was just talking about and it's a concern that I have, given that some changes have already been made to the system, just recently announced, where it is critical to consider issues of quality in determining price, otherwise you have the race to the bottom.

20

We also have some concerns, as I just mentioned, that some of these reforms have been introduced but without the establishment of the appropriate watchdogs. I think again maybe partly what the University of Ballarat was concerned about, that the suite of recommendations are actually interdependent, so to implement changes to pricing without having watchdogs to look at predatory practices and prejudicial pricing practices and other unpleasant behaviours, it is a concern that those things have been introduced without those watchdogs in place.

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We also have ongoing concerns about the limited reform of the eligibility criteria that's being proposed. We also have concerns about percentage-based concessions, in that they don't take into account capacity to pay issues, so students will still be looking at significant price increases. The fact that the review doesn't look at skills broadening is, to my mind, a concern.

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I would like to speak in a bit more detail around the first of those points that I raised, which is the Community Service Obligations of ACE providers. There is a recommendation that there is a review of the Community Service Obligations for TAFEs, CAE and AIMS. I'm assuming that the organisations considered in that list is because they are the three that are established as training bodies under

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the Education and Training Reform Act of 2006, but I also note that in the same act, the Adult Community and Further Education Board is established as a statutory body and that statutory body has certain obligations or is established for certain purposes and some of those include the promotion of individual  
5 community development through learning, as reflected in policies, programs and services, and the development and maintenance of quality and equitable access to programs and services.

They also then set out a range of requirements for eligibility. The principal  
10 underpinning point here is that whilst ACE providers are not created by virtue of an act of parliament as such, the conditions under which they operate are regulated and determined by virtue of an act of parliament, and I just want to talk about some of those.

15 Community development and equity obligations specific to ACE providers are outlined in a ministerial statement, which, as part of the eligibility criteria, ACE providers are obliged to conform with. So within the ministerial statement, some of those obligations are that ACE organisations, individually or in collaboration  
20 with partners, will design and deliver a range of innovative programs across qualification levels to business, industry and communities, and the government will support ACE to deliver to Victorians who are well suited to participate in learning in an ACE setting, including people from culturally and linguistically  
25 diverse backgrounds and those who require assistance with English as a second language; people who have been marginalised and have not accessed education, training and employment, in other words, new and under-represented learner  
groups; people who have experienced barriers to education in the past and people who live in remote and rural areas who otherwise have limited access to learning opportunities.

30 So they are the requirements within the ministerial statement that we must conform with. Those target groups are also reiterated in the purchasing package, in other words, the contract that ACE providers are funded under. So the training package actually states that the ACFE Board has identified priority learner groups that are under-represented in educational settings relative to their percentage of  
35 the regional population, and these groups are: early school leavers, disengaged youth, cold learners, learners with a disability, indigenous learners, male learners over 45, vulnerable low-skilled workers, low socioeconomic status, under and unemployed.

40 Also, unlike other providers, ACE providers are the only providers of

government-funded preaccredited training. The purchasing package once again states that the primary purpose of preaccredited training is to provide vocational education and training opportunities that engage and initiate vocational pathways for the most educationally disadvantaged learners. Preaccredited delivery is counted by Victoria as part of the government's funded VET provision. It has an emphasis, preaccredited training, on those learners who have not achieved year 9 or equivalent qualifications.

This is important because what it means is that ACE providers who provide both preaccredited and accredited training have a stream flowing through from their preaccredited into their accredited training of the most educationally disadvantaged learners. If you put those together and given that requirement, and there are other requirements, such as the requirement to be a not for profit-community based organisation, the requirement to have a community-based board or committee of management, and some other requirements that are in the eligibility criteria, my argument is that we actually have really very clearly defined Community Service Obligations and just as they should be considered for TAFEs, AIMS and for the CAE, and I don't dispute that that should happen, I think the Community Service Obligations of ACE providers, given that they flow from an act of parliament and related contractual and policy decisions at the State Government level, those things need to be considered and they also need to be adequately funded.

I make this statement in the context of the loss of 40 providers in the ACE sector since 2009, in other words, since the introduction of the Securing Jobs for Your Future reforms. In that same context, with the loss of 40 providers, I want to talk about funding in arrears. The ACE sector was traditionally funded in advance rather than in arrears. They had a very quick turn around time to adjust to the new funding regime.

As not for profit community-based providers - and I'm informed that their profit margins are below 2 per cent traditionally - they were put in the position where they would have to accumulate adequate reserve funds to be able to pay in advance effectively, because of course they must pay their tutors in advance - sorry, fortnightly - but as it turns out, in effect they are required to accumulate surpluses that equate to up to three months' worth of provision, because there can be a delay in income.

To do that, and this is just a simple mathematical formula, they would have to increase their profits within a 12-month period by about 25 per cent or to

25 per cent to set aside adequate funds to cover three months in advance. That is not possible and it is particularly not possible to do in a competitive arrangement. It actually puts them at a competitive disadvantage, where they are trying to increase their profit levels at the same time that competition is being introduced to the market.

So they have been put at a disadvantage. We know that a number of them have had to take out loans and overdrafts and take other actions in order to cover debts effectively incurred by the transition to training in arrears. So we're very concerned about the recommendation to leave that mechanism in place, and particularly concerned about the effect that it will have on some providers.

I want to speak very quickly about the VCE, VCAL and VET thing. I want to make it clear that the current wording of the recommendation refers to schools as the place of completion, and clearly that will discriminate against some of the most disadvantaged learners who don't survive in the school system and resort to the TAFE system and the ACE system to complete their VCE, VCAL and so on, even though they are at school age.

Whilst it may seem like being a bit pedantic about the wording, we have just seen the impact of very similar wording in terms of reducing the funding available to providers because of exactly the same wording. There are many things that I could go on about, and I won't.

DR VEENKER: You've got the online opportunity.

MR PERRY: I will use the opportunity online. I particularly wanted to make the point about Community Service Obligations.

PROF BURKE: We would appreciate that online. Where you are making factual statements, like 40 providers gone down, if you can document anything like that.

MR PERRY: They are all referenced, yes.

PROF BURKE: It is always helpful because with lots of comments there's anecdotes and, "We know of providers who do things like this," and so on, I know it's not easy always to get hard evidence, but that could apply to any submissions that are made, if you can in fact provide evidence, it does help for us to be able to include that.

MR PERRY: Yes, I have referenced all claims.

MR YAGANEKI: Arvid Yaganegi, from Victorian Occupational Training  
5 Educational Services, RTO 4603, I'm the executive manager of the RTO. I want  
to start off by saying that the pricing regime schedules and policy and the  
regulatory environment has been changing dramatically in the last two to three  
years and it's a little bit fatiguesome, so it is very refreshing to have the  
opportunity to have some input, have the recommendations and then have some  
10 further feedback. There is often a lot of criticism of processes in government. I  
just want to say how we appreciate the opportunity and the process, in my initial  
comments.

I have a number of issues to raise and I'll try to do it in as concise a form as I can.  
15 First of all, in the current regime of funding, Victoria is one of the very few states  
that has been able to incorporate the Productivity Places Program, the PPP, into  
the Victorian Training Guarantee. There were a number of concerns expressed  
about the quality issues with the previous PPP and two peak bodies I serve on,  
one in Bendigo and one in Melbourne, did write letters to the government  
20 expressing concerns and eventually, because of the issues, it was morphed into  
the Victorian Training Guarantee.

There is now the NWDF, again administered by the Commonwealth, the National  
25 Workforce Development Fund, and again amongst my colleagues and networks,  
we are concerned that the Commonwealth simply doesn't have the feet on the  
ground to ensure quality via audits and related activity. I know this is a little bit  
outside the scope, but it is not really - - -

DR VEENKER: It is related. Quality is outside, but it is related.  
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PROF BURKE: In some other work I'm doing, I'm happy to pass it on.

MR YAGANEKI: Thank you. Could there be also consideration given, just a  
gentle comment that has been made amongst my networks, that again because  
35 this program is into the billions, over two or three years, could this be absorbed  
into the Victorian Training Guarantee rather than having two or three funding  
tenders and processes. It just makes it cumbersome.

PROF BURKE: If you can make it more than people making that comment, if  
40 you can actually document something in a submission, it would be very helpful.

MR YAGANEKI: Sure, that's fine. I've got a number of things just to knock off. Again, the upskilling requirement that we have had now for a few years, market-based, driven model, also based on the research conducted by the Bradley  
5 review and the Dusseldorf Schools Forum, I fully accept all the facts and the research that the certificate III level and above, employment rate and employability capacity is very different to AQF level 2, there's no question there.

10 However, it has been raised before and at the previous session here in Bendigo by a number of people, involving disability, there is a spectrum of disability and even within the disability there's a wide spectrum, that certificate level 3 or AQF level 3 may be unattainable for a large cohort of people with disabilities. Could there be consideration given to allow people with a disability to have two shots at doing AQF level 2 because upskilling may not be a possibility.

15 A comment that was made earlier today about skill sets, I do agree with that very much, and that is an industry-driven request. My only issue is that with a number of Commonwealth-funded programs, it has had to be defined skill sets, defined in the training package, and if you've had a recent look, there aren't many; some of  
20 them have none at all.

So is there scope for RTOs to put forward their own allocated - I'm not going to call them skill sets - but units of competency that would meet industry needs up to maybe between 3 to 5 and have that as an alternative to skill sets, because I like  
25 the idea, but in practice I don't believe that it will work.

Another issue that has been raised quite often is the certificate IV in training and assessment. Some people are calling it TAE, because of the code of the training package, but I will call it TAA, if I may. I don't believe that this should be  
30 subject to the upskilling requirement, because you're not upskilling in your industry. This is a cross-sector qualification and with the fee for service arrangements that inevitably occur with certificate IV and TAA, the fees are kept down by reducing the duration of the delivery and this is not anecdotal any more, there are a number of researches, which I did during my own postgraduate VET  
35 study, who have looked into this matter and the quality of this is falling away dramatically, even today.

The research that is undertaken nationally, which I'm very happy to give you about 40 references, if you so wish, is telling us that even if the current TAA or  
40 TAE is delivered according to what the training package requires, they are still

saying it is inadequate; and the way its being delivered, which I would suggest is not meeting the requirements as presented, is going to represent a problem.

5 Even this year, we've got the difficulty where the national regulators are telling us that a previous qualification, BSZ 5198, will not be an ongoing qualification from next year. For them to upgrade or update that qualification, they cannot access the Victorian Training Guarantee because they have already achieved the certificate IV qualification. So it is mandated that they update and there's no funding available for that.

10 Victoria, researched by professors Theiss and Polesel at the University of Melbourne and a range of other universities, including NCVO, are talking about the fact that the VET in schools programs and protocols in Victoria is by far and away the most innovative and inclusive of disengaged learners and applied learning in Australia. To have effective delivery of certificate IV in training assessment for the school teacher cohort will also not be available via funding from the Victorian Training Guarantee, because all these professional teachers have already got university degrees. Again, I'm just asking that the condition for upskilling for TAA be waived in this category.

20 Generally speaking, there was also research, and if you speak to any university, they will tell you that there are many graduates from university who, in the next five years, will be required to undertake TAFE courses. University degrees, some of them are technical in knowledge, but usually they are not specific technical skills, they are more generic qualifications to enable you to do research, to enable you to think. People will have to, inevitably in the course in the course of their careers, have to do TAFE courses.

30 There is a strong argument to say, with the way of the numbers, there's more people going from university doing TAFE courses than going the other way round, although that is a wonderful pathway where people do diplomas and then do undergraduate degrees. So for people perhaps under 30, could they be given an automatic exemption to do one qualification at an RTO, which is inclusive of TAFE.

35 On another point which has been raised by previous presenters, it's about 4.9, after seven years, will give you partial subsidy, after 15 will give you full subsidy. The way that people's careers are changing, the dynamic forces of change and innovation within industry that is occurring, I would put it to you that 40 seven years is a good benchmark, but I would recommend and suggest that they

be given full subsidies after seven years. You are already addressing some of the budgetary issues by bringing the ratio indicators down from 0.8 to 0.7 in various areas, but I suggest that a full subsidy be given after seven years.

- 5 All of the recommendations and all of the suggestions today are going to the ESC and asking, "We need more money, need more money," and given the current global environment, I'm cognisant of the fact that there is not a bottomless pit and that we can see debt to excess is not a very, very good idea. I know this won't be popular with some of the other RTOs and my colleagues here, but could there be given some consideration to capping RTOs? I know it's demand driven, could there be a cap and then a process to increase that, because currently in the original presentation there's going to be winners and losers and it's not about which RTOs get the funding, it is about people. Career changes, there was a previous speaker that talked about moving sideways, there is an unnecessary restriction on them.
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- 15 So that would be my recommendation in order to get through that.

- On my final point, if I may, in the current funding and policy provisions, the two sectors that are highlighted are TAFEs and ACFE providers for additional services, for infrastructure. There is another category, which are private RTOs, and they seem to miss out on a lot of this. In some of the very heavy traffic ACFE regions, including Loddon Mallee Campaspe, ACFE divisions will discourage you because they will be saying that it's already fully subscribed, there's no benefit, et cetera. So rather than having that argy-bargy, could some of the policies for infrastructure and other programs, could it be also inclusive of private RTOs?
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DR VEENKER: You've raised a number of issues. I am conscious of the time, too.

- 30 MR YAGANEKI: Thank you.

- DR VEENKER: Folks, I'm wondering whether you have any reactions perhaps to some of the things that have been said already, but in particular reactions to the report overall? I am interested in some of the priorities that you might see there, some of the implementation issues that might be there, some things that you might want to support, time frames with some of the suggestions. I realise it is a comprehensive report, but we would like to hear your feedback, just generally on the report first, and then I want other themes.
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- 40 MR IRVINE: There is one point I would like to make about transition from

VET study to university level study, especially in this region. We've got a fair bit of concern about the consequences of current policies and whether this report addresses that transition to university study in our region, which is already a big issue, there is quite a bit of concern. There is nothing in the report about it, that  
5 I can see, maybe there is something there somewhere, and that was taken into consideration, but I think it does need to be taken into consideration.

DR VEENKER: Could you elaborate a little bit on this area where you see there is a vacuum.  
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MR IRVINE: The issue of privatisation and loss of courses at TAFE level, articulation arrangements in the university are very hard-fought, there's a lot of discussion, there's a lot of argy-bargy about it and so on, and the possibility that as we lose, which is the likelihood of what is going on, as we lose courses that are  
15 articulating in easily to universities, the effect on our region of that.

PROF BURKE: Why are you losing them, sorry, I didn't quite follow? Why are you losing them?

MR IRVINE: The possibility of the loss of these courses, that's all I am going to say.  
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DR VEENKER: In the presentation we have heard so far, there are a number of themes and issues coming through. For example, in the report, there is a  
25 suggestion about greater transparency to help students make decisions or potential students to make decisions, to help them navigate the system and navigate this particular sector of education. Are there any comments about that? Do you believe there should be more disclosure available to students, who should bear the cost of that?  
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MR PERRY: I certainly have a view, and that is that students do need more information. They particularly need the information that enables them to make decisions around the quality of the course they are going to receive, and I hope there are some recommendations around information provision. We have  
35 concerns about imposing additional costs on providers that are not met by government, particularly where we have evidence that providers are already stretched.

DR VEENKER: Some of the speakers touched on the special needs of the  
40 higher needs type student. The report also referred to higher needs students. Do

you want to elaborate on that at all, the special requirements, the arrangements within providers, the challenges with providers in meeting the needs of those higher needs students?

5 MS WILLIAMS: One of the things particularly with indigenous and students with a disability, and one of the other speakers touched on it, is that they do want to stay at that cert II level. In the good old days, they would just keep coming back and coming back and it was something that enriched their lives.

10 Whether it's a program that eventually builds them up to taking on a higher qual or taking on meaningful employment or whatever, my experience, and I was previously at Wodonga TAFE, was that they did want to keep coming back and it was really important to them, and through the eligibility criteria, it's lost.

15 MS SIMPSON: I think there is another level also. Education and training, Vocational Education and Training is often focused in trying to capture disengaged youth back into an educational environment. These people are people who have often felt that they have failed in the education system, learning is not something that they are comfortable with, and it takes a lot of support to  
20 re-engage, to help along and to help to succeed and to stay in an educational environment. Those supports cost a lot of money. I mean, it's not as simple as you provide a training opportunity, come and you will succeed.

25 So I think there is a whole lot of other internal structural issues around engaging and retaining young people to succeed, and not only succeed the first time, but then continue to go on. It doesn't happen that simply once they succeed at one thing, they will then prosper. They often will go on, but they need to be supported throughout that journey, and those support costs need to be considered somewhere along the line into how you fund that youth retention, I think.

30 PROF BURKE: Just to ask about that. At the moment, you get 1.3 weighting for young people under 20 who don't have VCE, VCAL, and you get money for indigenous, corrections and Auslan, but you don't get any money for disability?

35 MS SIMPSON: I have only just come into it about a month ago, so I'm going to have to ask for the specifics.

40 PROF BURKE: Anyway, that is one of the issues that you might address. We had before a great long list that in fact is raised with the ACE providers. But as far as I can tell, the weightings are only those limited number of weightings.

MS SIMPSON: I don't think they address the whole issue. I mean, it doesn't provide that full range of supports that are required in student services, in career advice, in counselling, that go into retaining a student to succeed.

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DR VEENKER: You're suggesting more work be done in that area?

MS SIMPSON: Yes.

10 MS VENDARGON: Jasmine Vendargon, from Bendigo TAFE. Following on what Maria was saying, the issues that we on the ground have are adult learners will actually come back after a while of study, so they've got problems with literacy and numeracy, and their needs supports are - they are actually a different kettle of fish, they actually don't realise what they don't know at that time, and  
15 even though they get that help, and especially if their course leads on to a pathway to university, they need a fair bit of academic skills as well.

So the literacy and numeracy becomes a great issue when they do come into a diploma level course. They have fulfilled the entry requirements, which covers  
20 just basic literacy and numeracy, but the skills of academic learning that come with a diploma level course, they still need support. So you've got a range of people who need support, as Maria suggested: you've got your youth, you've got your people with disabilities and you've got the adult learners returning to study and to upskill.

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MS WILLIAMS: I was just going to say that the actual weightings don't encompass a disability. However, we do get funding from other categories to counteract some of that.

30 PROF BURKE: What are those other categories?

MS WILLIAMS: For example, we have disability liaison officers where we get some funding.

35 PROF BURKE: That is something out the fee and funding model.

MS WILLIAMS: Yes, just to clarify that. But I would also like to follow on the discussion about the disengaged youth and mention that it also relates to retention and the fact that it is a government agenda that we ensure retention and increase  
40 our retention rates, yet we are not getting the funding to ensure we have the best

resources to do so. I just wanted to make that point.

MR PERRY: I would like to support a lot of what has been said here. I suspect that the ESC is on the right track in looking at ways of addressing these issues  
5 outside of the fee and funding regime, and I say that because you can have the  
circumstance where you have a couple of people in a class that may have a  
disability, but there's no support available to them and just to simply increase the  
weighting actually doesn't provide enough to provide the resources that those  
10 people need. So addressing that outside the fee and funding regime may well be a  
more effective way of doing that.

I want to speak a little bit about what some people call churn, which is where  
people do repeat their cert II a few times. I just want to point out, and I wish I  
could remember which report it was, but the NCVER produced a report, and I can  
15 track it down and I can forward this information to you, that directly addressed  
the issue of churn and particularly at the lower levels.

The economic argument, of course, is that it's a waste of money to pay for people  
to do two certificate IIs. That report challenges the view and talks about the  
20 importance of churn as in fact being an enabler of further participation down the  
track. I think one of the problems that we are having, as I read some of the  
literature around at the moment, is that it is a very short-term view that is taken  
when they look at success factors and relationships between training and  
outcomes.

25 So they might be looking at training that was undertaken one year and whether  
there was an outcome the following year, whereas if you take a slightly longer  
term view and look at the training outcomes over perhaps a five-year period,  
where other issues that exist in people's lives have been addressed, I think it looks  
30 like a very different story and what may appear to have been in the short-term  
analysis a waste of government money, in fact turns out to be a really sound  
investment; it just took a little longer for some people than for others.

DR VEENKER: We have heard some comment regarding the recommendation  
35 to close the gap between TAFE and non-TAFEs. Are there any other comments  
from the group about that?

MS WILLIAMS: Can I make one more comment. This is in relation to  
intelligence around market failure and whether interventions need to be made in  
40 certain areas.

5 A few years back, TAFEs used to - and I'm not sure about other providers - but we used to provide Oti with what was called the changed drivers report, which was an analysis that we did in our own regions regarding industry drivers, things that were happening, whether there was a big freeway being built, whatever, what was happening in the region, and that was fed through to Oti as some on-the-ground regional intelligence.

10 That hasn't happened in recent years and I think it's failing to draw on some really critical knowledge of regional issues and regional drivers that could assist in assisting the government in addressing some of these market failures that are obviously being talked about in terms of the demand-driven agenda. So it would be really good if we recreated that communication process in relation to change drivers.

15 PROF BURKE: It would be good to have some further information, if you are able to make a submission by Sunday night.

20 DR VEENKER: There would be regional development plans that your institute would be participating in and forecasting potential industries that are in decline, growth, and where there may be training opportunities. Are you saying you would like that further fed into - - -

25 MS WILLIAMS: Do you mean between the RDAs?

DR VEENKER: Yes, through RDA.

MS WILLIAMS: I suppose it could be. I don't know that it's specifically around workforce capability.

30 DR VEENKER: Okay, thanks for highlighting that. Any other comments?

35 MR JAKOB: Just a comment around the price issue as well. The report says that there should be no differential between the price paid to a public or private provider.

DR VEENKER: That's right.

40 MR JAKOB: But it also says provided that you've identified and addressed the issues relating to equity and access and thin markets and Community Service

Obligations through other payments and mechanisms.

DR VEENKER: Yes.

5 MR JAKOB: Again, you just have to look at the report as a whole. That is not a recommendation made in isolation from other recommendations. Otherwise, it becomes the circumstance that I have described before. So you can't emphasise more strongly the fact that they must be brought together, they must be brought together.

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DR VEENKER: Could you also comment on the suggestion in the report about an independent body looking at possible benchmark pricing, pricing as defined in the report, and declaring it market competitive. Is there a reaction to that type of suggestion?

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MS SIMPSON: What obligation would that necessarily place on the government to react in the way that it might be advised? None.

DR VEENKER: It would be independent of government.

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MS SIMPSON: Yes. Being independent, it might be just something that we are all paying for, more taxpayers' dollars. I would rather it have to come to me in each case, quite frankly. If there are other mechanisms that might inform, like the RDA that was just spoken about, if market forces and opportunities and direction for change could be informed in other ways through channels that already existed, I would rather see that work than set up an independent body that has no power or control and is just a toothless tiger.

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DR VEENKER: Thank you.

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MR PERRY: My principal concern is that if such a body is established, that it has on it people with educational expertise who are able to determine the merit of the model of delivery of the different prices within the system. My great concern is that if you look at price by determining what the lowest cost in the marketplace of delivering a qualification is, and look no further, what you do is actually

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undermine quality and consistency of qualifications.

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So in considering price, you must look at what it is that is being purchased and we know that what is being purchased in some cases is of lesser quality and in some cases - and once again there's research that documents this - the quality of

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the product being purchased is below what industry considers to be acceptable, and I refer specifically to child care in a report again from the NCVET which quotes employers who make their employment choices based on who the training provider was as much as, if not more so, the particular attributes that any applicant brings to the table, and that's purely because of the quality of the training that those people have received.

If they are doing that because what they are actually doing is reducing tuition and other things that do cost money and we accept that price as the market price for delivering that, what we effectively do is have a whole bunch of people with qualifications that are actually meaningless, that disadvantage that student who is essentially unemployable in their area of training, and ineligible to do other training at the same level.

So there is a double disadvantage for the student. It undermines the entire system, the integrity of the entire system, because the same qualification does not have equal value, it depends on in whose hands it is and who signed the bottom of the document. If those things aren't considered in pricing, I think we are in a very dangerous piece of territory where we can end up literally with a race to the bottom and a system that becomes unworkable effectively because of the thin consistency in qualification.

DR VEENKER: Thank you. Any further comments or points you want to highlight to us? I know it's a fairly tight timeline.

PROF BURKE: When does Sunday end?

DR VEENKER: I know, sorry.

PROF BURKE: I don't think Wendy will be accessing it before Monday morning.

DR VEENKER: We have to reinvent the wheel. You know it anyway.

PROF BURKE: The things that are important, you don't have to answer to the 43 questions, you actually have to do the first question to get on to the second stage, don't you, Wendy? You can make right at the end a general comment, that doesn't apply to any of the questions. It's very good if we do have some written supplement to what is said today, particularly when it is a factual statement, where evidence has been used, it is good to have that.

DR VEENKER: Ladies and gentlemen, on behalf of Gerald and I, a big thank you. We know you're busy people, and this sector of education is very important to us. We greatly appreciate the feedback that we have received today.

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Just listening, the cross-section of VET delivery, the messages came through clearly to us. We understand the special challenges that face regional and rural Victoria and the diverse range of students that we seek to service. So thank you for providing that input to us. Our charter is very much to have a report to  
10 Minister Hall by the end of November, hence we apologise for the short timeline.

Is there anything else you want to add at this stage, Gerald?

PROF BURKE: No.

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DR VEENKER: I think the themes that came through were pretty clear, too: the question of eligibility came through to us, I think the transparency matter, the overall fee and funding arrangements, and we found interesting the interface between the schools and VET and the comments about higher education and  
20 VET, and a bit more information on that would be of value. Even though quality was outside the immediate brief of the ESC, the message about quality is important, and we have heard that too.

So thanks again for your participation today and we will conclude the session  
25 now. Nick is available in relation to queries regarding the recent changes that have been announced, to answer your questions, if you have any.

**AT 12.01 PM THE MEETING CONCLUDED**

