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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**

**MELBOURNE**

**9.34 AM, TUESDAY, 25 OCTOBER 2011**

**DAY TWO**

**Continued from 24/10/11 at Colac**

DR VEENKER: Good morning from Gerald and I. I'm Peter Veenker. A warm welcome and a big thank you for making the time available to provide feedback on this important report. Today we've structured it in such a way that we hope will be of benefit to you. The consultation is basically in two parts.

5 We have asked the ESC to give an overview of the report and then there will be time for some questions relating to clarification in terms of their presentation and clarification of some of the content that you might need to probe as far as the report is concerned. The consultation about the overall directions, themes and recommendations Gerald and I will be hearing after that first part is

10 concluded, and that in effect is the second part.

The other point I need to make is that we have been consulting with stakeholders last week and today of course, this is a public meeting. As it is a public meeting, we want to make sure that we do the right thing by you and

15 that your feedback is recorded. Therefore, as you want to discuss matters or want to ask questions, we ask you to go to the microphone, state your name and, if you like, the area of VET that you're particularly interested in or might be working in, so that will help us in terms of working through the feedback that we receive today. There also are some verbal submissions that will be

20 presented and there will be time for us to clarify and ask questions after those verbal submissions as well.

The other matter which we would like to put on the table today is that there have been some changes announced last week and bearing that in mind and

25 having that quite separate from today's consultation, nevertheless we want to give you the opportunity to hear briefly what some of those changes have been, and this is independent of the report consultation, and Nick Chiam from Skills Victoria and other people from Skills Victoria are here. Nick if you're comfortable, perhaps you could address the group at the start. I know if you

30 have questions about some of the changes, there will be opportunities after our work has been done today, so after the two hours that have been set aside for us to do the consultation. With that in mind, I will invite Nick to say a few words. Thank you, Nick.

35 MR CHIAM: Thanks, Peter. As some of you would be aware, the government has made changes to fee and funding arrangements for 2012 for VET. For those of you that have had a chance to read the report or engage in the ESC process or in the VET sector, you will be aware that from 1 January this year, the government implemented a full student entitlement for VET.

40 Under that program, we've seen a substantial growth in VET and the government has chosen to act now to try to manage the impact of that growth on the system, both this year but most importantly from the start of January 2012.

45 The changes that have been introduced include a reduction in the higher rate of

hourly rate that is paid to large TAFE institutes, a targeted reduction in seven industry weightings where there's been particularly large growth, up to 440 per cent growth in some areas, and those weighting changes, as I said, affect seven particular industry weightings. 44 of the 51 weightings that apply remain unchanged.

The third change is the removal of annual caps, so there's an annual maximum cap and a minimum cap this is essentially in place or a minimum fee that is put in place in addition to the hourly rate cap. The hourly rate cap is being maintained but the two annual caps are being removed for students commencing training from 1 January 2012.

Finally, the apprenticeship rates which until now have been unpublished for 2012 have now been agreed by government and those rates bring apprenticeship fees in line with traineeship fees. So for those of you whose industries or providers are involved in both apprenticeships and traineeships, essentially the fees that apply for traineeships now apply to apprenticeships and that is for all apprentices in training in 2012. They're the four main change areas.

The government has chosen to act consistent with the ESC recommendations - largely consistent with the ESC recommendations. However, it is not a formal response to the ESC consultation process or the ESC report. The government is still following through its process, which it started in May this year, working through both the report that's been developed by the ESC, as well as the independent consultation that Peter and Gerald have kindly agreed to run for government. Those processes are leading into and will lead into the 2012-13 budget process, at which time the funds that were provided by the previous government to support the skills reform are due to cease and the government will consider all of the recommendations from the ESC, both the short-term recommendations but also the substantial longer-term reform changes that are being proposed, as well as the fee and funding arrangements from 2013 onwards.

So those changes may have an impact on a range of providers and some students. However, it is important from our perspective that those changes are seen for what they are, which is changes to the arrangements specifically for 2012 and do not anticipate the formal response to the broad range of recommendations from the ESC. I'm conscious that some of you might have specific questions. There's information up on the Skills Victoria web site, which explain the changes in more detail than I have done. However, if any of you have specific questions about those changes, or wish to discuss them, I'll be here and available after this session and happy to take any questions or comments from people who may have them. Thanks, Peter. Thanks, Gerald.

DR VEENKER: Thank you, Nick, and we move now into the formal consultation phase and Gerald and I are very keen to hear from you, and, of course, there's also the good opportunity for you to respond online and I hope you avail yourself of that good opportunity. There may be points that are raised today that you want to reinforce by going online and passing those comments on to us, or there may be other matters that you've thought about after you reflected about what's occurred today and read the report, there's an opportunity for you to feed that into us and that of course is something that we would welcome greatly. To introduce the ESC personnel or presenters, I'll invite Gerald to do that. Thank you.

PROF BURKE: Thank you, Peter. The report was undertaken by a team from the ESC and Linda Duncan and Angelina Garces are here today from that team. They worked with the chair of the ESC, Ron Ben-David, to produce the report. I think it's been very interesting over the last week, when we've been presenting to the stakeholder groups, sort of the range of issues and principles that lay behind the ESC presentation. I know Linda today is going to present - dealing with the recommendations as a total. Then there will be time when she finishes to have some questions for explanation and so on. As Peter has just said, the views on those recommendations - although that's what Peter and I will discuss after Linda and then Angelina have finished their work. So thanks, Linda.

MS DUNCAN: Good morning, everybody. I don't have very long to do this presentation so it's going to be a fairly quick overview of our report and our recommendations. As Gerald said, at the end if you've got any questions about clarification, we'd be happy to answer them. For those who don't know anything about the Essential Services Commission, we're Victoria's independent economic regulator. Our background traditionally is in markets of gas, energy, transport. Through our work in these sectors we've developed expertise in relation to price, fee and funding models, and that's how we came to be asked to undertake this review for the minister.

As you would know, the background to this review, in 2008 there were reforms that introduced major changes to the way the market worked for vocational education and training. It introduced an uncut number of places and eligibility criteria and it made the market more contestable between public and private providers. So given that as our context, we started this review about five months ago. During that time, or since then, we undertook a public consultation process, which involved going around a number of training providers, public forums in Bendigo and Melbourne, and receipt of over 60 submissions. Often the commission's process would involve release of a draft report and then further consultation on that draft, but, in essence, this is what the expert panel are now doing, is our report has been released and now they're seeking feedback on it.

As I said, the ESC is an economic regulator, so we bring an economic framework to our analysis and we found that for the market to be working efficiently, the criteria we were looking for was that price equals fee plus  
5 subsidy and that's the price that a provider is willing to provide training, not the price for a student. The student's price is the fee, so the total amount that the provider receives is the fee and the subsidy.

When we looked at the VET market in Victoria we found that this condition  
10 wasn't being satisfied and that the market could work quite a bit better or harder to support the government's objectives for the VET sector. In particular, we found that there were a number of constraints on the market and that one thing that could be improved was the price disclosure. There could also be improved information about training quality and better information for  
15 students, employers, providers and the government on the training that's being undertaken.

We might like to say that the government should subsidise training for anyone who wants to be trained. This isn't in reality given the budget constraints and  
20 in fact the terms of reference the commission were given, we were asked to be prudent in the context of the state budget. So when you have a limited budget, there are, in effect, winners and losers, and under the previous system one could maybe say that the winners were the students who were able to obtain one of the limited number of VET places, and the losers were those who came  
25 in too late in a system, after all the places had been allocated.

Having looked at the VTG, we did consider that there were some areas that could be improved and that were perhaps working against the government's objectives. For example, we suggested the government should consider  
30 revising the VTG to help students with outdated qualifications to undertake training at the same level. We said in our report that, say, after seven years a student should have access to some partial subsidy and after 15 years to have access to a full subsidy. So we wouldn't want to get hung up on exactly what those number of years are, say, seven or 15, what we tried to put forward is the principle of this partial subsidy and I guess that's something that Gerald and  
35 Peter are taking feedback on, what those numbers should be, or years should be.

Also, Victorian Training Guarantee, we thought VCE and VCAL should not be  
40 taken into account for the purposes of upskilling and determining whether a student is upskilling and that apprentices and trainees should not be given special treatment but treated consistently with other students. If there was an intention or a government objective to give support to apprentices and trainees, then this should be done outside of the VET fee and funding model.  
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The area of exemptions, something we heard quite a bit of when we went round and spoke with providers and students, we felt that the eligibility exemptions really exist to assist those who can't afford to pay full fees. In this regard, we felt that they were an income and unemployment issue and that the Commonwealth government was perhaps better placed to make decisions about who would be most beneficial in receiving assistance. We thought that there was merit in the state government talking to the Commonwealth government about how the Commonwealth government could help administer a more targeted approach to assisting those students.

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In the meantime, this is a report to the state government, so we felt that ideally, the exemptions could be allocated by Skills Victoria directly to students rather than relying on providers to allocate them to students. But if that current system of allocating by the training provider is continued, there's a number of things that the government could do to improve the way that system operates. For example, Skills Victoria could provide more guidance to providers on how exemptions were to be allocated and what their objectives were when they were trying to set up the criteria for them.

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Exemptions, we've said, should be allocated twice year, I think in line with peak enrolment periods, and that they should be based on a market share in the previous year of the training provider. Also, that allocations of exemptions be based on value, rather than the number of places, which gives providers a little bit more flexibility to help students in various situations.

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With regard to tuition fees, we recommended that the minimum and maximum annual caps be removed but that the maximum hourly rate be retained at least until the markets or markets for particular courses become more competitive and that that competition then protects the student from overly inflated prices. We thought providers should be required to publish their fees, the fees that are charged to full-fee students as well as fees that are for eligible government-subsidised students. At the moment, we thought it was quite difficult for students to be able to go on to a web site or approach a provider and be able to calculate what their fees are. In some respects, that's because of the minimum and the maximum but just that there isn't that level of disclosure.

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We also said that the tuition fees and, when we get to it later, the funding should be indexed annually and that would mean an automatic increase each year based on perhaps CPI. With regard to concessions and VET FEE-HELP, again we thought concessions was about assisting those people due to income situations who may not be able to afford VET and that the Commonwealth government was perhaps in a better place to be able to make these decisions and assist. So we've suggested that the Victorian government talk to the Commonwealth government about how they could jointly work together to administer a concession scheme.

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5           Until that occurred and concessions were continuing to be administered at the state level, we felt it would be more efficient for concessions to be calculated as a percentage of the maximum hourly rate instead of being a flat fee. So that would mean, for example, that concession rates vary with the number of hours undertaken by students and also perhaps you could think about that in terms of a concession student getting, say, a 50 per cent discount or a 75 per cent discount of what a government subsidised full-fee student would pay. We haven't said what that discount rate should be, what percentage that should be, that's a matter for the government; we just think it should be calculated as a percentage rather than as a flat fee.

15           We think that providers should be fully reimbursed for the amount of concessions that they offer to students and that the continuation of the concessions where students have access to VET FEE-HELP should be something that the government reconsider, because VET FEE-HELP in effect is able to assist those students who wouldn't be able to afford it otherwise.

20           With regard to VET FEE-HELP, we heard that there were a number of problems by providers in terms of administering this, that it wasn't perhaps as flexible as it could be and wasn't adapted to the VET environment. We recommended that consideration be given to extending it to graduate certificate, graduate diplomas, and to certificate IV qualifications.

25           With regard to funding, an important recommendation was that there should be a cost and pricing review undertaken. We really didn't have time in the course of our review to go into the detail of what the costs and funding levels are, nor were we asked to in our terms of reference. So we thought that there should be a cost and pricing review to better align the funding rates with the actual costs that providers incur.

35           Again, as I said, the funding rates should be indexed annually, so that's an automatic increase and it's based on CPI, and that the current differential between TAFEs and non-TAFEs be converged over the next four years, but in doing that, perhaps the governance and funding arrangements of the public providers of the TAFEs be reviewed and if there are additional costs associated with being publicly owned that they are funded separately outside the fee and funding system.

40           With regard to thin markets - and by "thin markets", I mean by geographic location or course type - we think these should be addressed outside the fee and funding model or separately, so not as part of the fee and funding schedule but perhaps through incentive payments to particular regions or locations or to deliver or enrol in particular courses. For higher needs learners, one thing that was clear through our review was that there is no common or standard

definition of a high needs learner and that it wasn't clear what exactly the additional costs were in regard to those learners. We did hear that there are additional costs but we can't say in the scope of our review what those costs are or how they should be funded. So we've said that the cost and pricing review  
5 as part of the funding recommendation should consider these additional costs as well.

As I've said, our recommendations are trying to improve the way the VET market works but we recognise that the market may not always meet the  
10 government's objectives if left to its own devices. Perhaps areas that the government may wish to look at in more detail is whether the market is meeting skills shortages and whether particular student cohorts are participating at levels that the government wants them to. If they're found not to be, then they should be addressed through targeted incentive payments or  
15 directly outside again the fee and funding systems.

As I said at the start, we thought there could be improved information available to the stakeholders in the market. We felt the government could collect more data on the training being offered and undertaken and that includes both  
20 full-fee students as well as subsidised students because the market is a combination of the two; that availability of information could be improved on the training quality and that's to assist students make decisions as well as providers and the government understand what's happening; that there could be improved information on career paths, employment opportunities and areas of  
25 skill shortage and also that information could be improved to students on the Victorian Training Guarantee itself. We found that we were hearing that students don't always understand the implications of the Victorian Training Guarantee and how making a training decision now would affect their training in the future.

30 Our final area of recommendations was with regard to an independent market oversight body and this body would be tasked with monitoring and providing advice to the government on what's happening in the VET market. As I said, the market may not work perfectly on its own and the government may want to  
35 intervene in particular areas. Part of the role of this market oversight body would be to gather information and provide advice to the government on where the market was and wasn't working. It would look at trends in course enrolments, fee levels that are being charged and the number of providers that are offering courses and in various locations. Importantly, this market  
40 oversight body would not be in charge of setting fees or subsidy levels or concessions. It would simply be providing advice to the government and the government would make this as a policy decision. So that's a very quick overview. If there are any questions of clarification, I'm happy to take them.

45 PROF BURKE: There's one there, Linda.

MS JACKSON: Could I ask what consideration - - -

5 PROF BURKE: Could you come to the microphone, thank you. I've been told off for not speaking into it yesterday.

MS JACKSON: Mary Ann Jackson from RMIT. I'm just wondering what consideration was given to the complexity of information to the consumer. A couple of the recommendations are around introducing, say, a percentage for fees, for concessions and also the outdated qualifications, having a number of different levels of information. What consideration was given to the complexity of information to the consumer?

15 MS GARCES: I'm Angelina Garces and I might answer that question. Do you mean in terms of the complexity around information arising from our recommendations, or as currently stands? I guess one of the issues that we found looking at trying to understand the whole VET system and trying to understand the fee and funding arrangements, we found it very complicated coming into it, and so with our recommendations, I guess were around trying to reduce some of that complexity.

25 As a broad principle, I guess we also adopted that in terms of developing our recommendations, so it is the mix in terms of us thinking about, well, you know, how might we be able to improve the situation. We didn't necessarily do a cost benefit analysis on each single recommendation and work out exactly, you know, what the trade-offs were in terms of complexity and that sort of stuff. A lot of complexity can be addressed in terms of the way it is actually implemented, or the way that some of those recommendations are implemented. So I don't know if that answers your question but - - -

30 MR BOWD: Sorry, Justin Bowd from the Australian Education Union. You mentioned the importance of actually having better information concerning price and also quality. I don't know if you went that far but did you consider how you would go about assessing quality of training?

35 MS GARCES: No, we didn't, largely because that was outside our terms of reference, but I guess, as a principle, we see the price and quality trade-off as being very important and if the market is going to be allowed to function appropriately, then there needs to be that quality link there and I guess we're not experts in terms of educational outcomes and the quality of those outcomes, so we didn't feel it was appropriate, (a) it's not in the terms of reference, and (b) we didn't feel (indistinct) with those kind of recommendations in there.

45 MR BOWD: But the rationale is that price signals should be allowed to

operate to efficiently allocate resources and that, I assume, is the basis fee for the whole thing. It's interesting because there's a lag between the expenditure and the outcome with education and I'm just wondering if you could comment on how effective price signals are in that kind of market.

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MS GARCES: Look, I think again that comes back to the importance of making sure that the appropriate amount of information is in there and it has to be information from notable sources. Employers need to be involved. Industry needs to be involved. The providers need to be involved. Students need to be getting information from a number of different sources and there do need to be better links or, I guess, outcomes between the quality of the courses that are being delivered and then the feedback back to institutions. I mean, I don't think any one at the commission would disagree that it's a very important part of it and it is an important part of the equation that I think needs further consideration.

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MS O'BRIEN: Michelle O'Brien from Victoria University. You talked about higher needs and disengaged learners and your inability to actually ascertain what the costs are. Could you elaborate why you were not able to ascertain the cost and perhaps talk about what sort of information you would need in order to do that. I expect it's more qualitative than quantitative.

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MS GARCES: I mean, the issue for us around - we went and we talked to a lot of providers and especially in the adult community education sector and we did get a lot of feedback in terms of how difficult it was engaging with higher need or disengaged learners. We were given information at what I would say is a generally high level, about the additional sort of resources that they have to have in place and the additional costs that they have to have in place, but it was more around the quantum of what those costs were and then what that mean for a fee and funding mechanism.

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We talked about complexity before and I think that's one of the difficult issues, with designing a fee and funding mechanism that needs to respond to lots of different sort of issues that are happening. It's hard to do that in a simply way and so unless you can pinpoint quite specifically that X person is a higher needs learner and will add on these costs, it's hard to build in an automatic response to that in a fee and funding mechanism. So it was very reluctant to sort of recommend that there be an additional weighting, for example, or that you increased certain weightings without actually fully understanding the level of additional costs and the quantum sort of associated with those costs.

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Part of that pricing and cost review that we were talking about would be about collecting costs data and understanding how costs might vary and the resources that you need might vary depending on perhaps a student and I guess at this point we don't have enough information. We didn't have enough information

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to be able to say, "Well, what would that look like?"

5 PROF BURKE: I just have one point with the question about the information in relation to quality. Ron Ben-David, when he was speaking last week - he couldn't come to them this week - but one of the points that he did when he referred to the recommendation in relation to information on quality, saying that even if the rest of the recommendations are ignored, that one should not be ignored, that he put that very high priority that the quality issues had to be addressed. I think then we should move on to - I should thank you very much,  
10 Linda and Angelina, and we'll see you later today, too? We're on a road show today to - down to Traralgon this afternoon.

15 Now, the order of proceedings, we were going to have - three people have indicated they'd like to make a submission now and I'll ask them to come in turn to come here or the microphone near you, whichever you prefer, whichever you're happiest with. Then we'll move on to the broader discussion of the ESC's report in terms of broad, general issues, most important issues, and then we might try and sum up, et cetera, in relation to eligibility fees, funding, new methods of regulation, new independent bodies, those sorts of  
20 issues.

25 But just before we go into that, I'll just remind about where we're heading with all of this. Our job is to reflect the views of the stakeholders and the public to Minister Hall. When the consultations are finished at the end of next week, quite shortly after that we've been asked for a very short - two or three page view of what seemed to be the biggest issues and then by the end of November to write a further report to him, which probably will not be a large report anyway. That's a report to him and to the government. He will not necessarily make that public but we hope that we can fairly ably reflect the views that are put to  
30 us.

35 The people who are going to make submissions are Ros Harari, Yvonne Evans and then Michael Zengmeister, so Ros, would you like to go first, and could you say what your job is and what institution you're with, just give people 30 seconds or so of background which is quite helpful.

40 MS HARARI: I'm a student counsellor at Holmesglen Institute. I guess I'm here today representing the students as well as the institution. One of the concerns that has been presented to me by students is that students have been long-term unemployed and sent to skill up doing VET courses by their job networks and they've come to TAFE. They do have a qualification but they're still unemployable, so they come to skill up, and then they're not eligible for the level course that they should be in.

45 For example, I've had students do diplomas who really should be doing cert II

5 levels, but they have done cert II, say, in retail, cert IIIs, and they're not eligible for a funded course of that level any more and they can't get into the workforce. So I guess the big question is - there doesn't seem to be any discussion between the job networks and the TAFEs and the government about what courses they're sending people to, and I've had a lot of distressed people who drop out of training, back on to unemployment, because they're not eligible for the level that they should be put into because of the fee structure.

10 I think you've answered the second one, which was about VCAL and VCE being considered another level that was stopping pre-apprenticeships. I think that's been in the recommendations?

15 PROF BURKE: That's the recommendation, yes, that VCE and VCAL no longer be considered.

MS HARARI: Because it was stopping people doing pre-apprenticeships and all the employers want pre-apprenticeships. Now they won't allow people to go into apprenticeships without their pre-apprenticeships being completed, so that was a problem as well that we were finding.

20 PROF BURKE: That's very helpful. All of these of course are just recommendations to the government by the ESC and so on, so - - -

25 MS HARARI: Right. The eligibility criteria is a major one. I've had so many students - I'm talking about 30, 40 since that structure has been - - -

30 PROF BURKE: It would be very helpful if you could actually go online and put in some detail of that because examples are useful when people report these sorts of things, but we have to have fairly specific examples I think to be useful.

35 MS HARARI: All right then. My thought about this is: is there a possibility to make a recommendation to the government to allow job agencies to almost validate the level of entry if they're coming from long-term employment to be retrained? Even if they have got a BA in town planning, never worked, they need to be reskilled at cert II level, for example.

40 PROF BURKE: There is the other recommendation of course that if it's more than seven or 15 years - - -

MS HARARI: I know, but that doesn't help the person who has been told they have to retrain by Centrelink.

45 PROF BURKE: Yes, thank you very much. Yvonne Evans?

MS EVANS: Hi, I'm Yvonne Evans. I'm down as McCullough Institute but we're actually Mount Beauty Neighbourhood Centre. We changed our name because we realised Mount Beauty Neighbourhood Centre on a certificate really wasn't going to cut it out there in the wild world, so we changed to  
5 McCullough Institute.

Mount Beauty is in north-east Victoria. It's at the end of a road going up to the Falls Creek ski area. It's a hundred kilometres away from the nearest regional centre and these days with petrol at \$1.50 a litre and rising, people just cannot  
10 afford to drive to the nearest regional centre to get a delivery. The neighbourhood centre in 1999 was bankrupt and about to close. It was picked up and by 2004 became an RTO and the reason we became an RTO was because of the shonky providers who came into town and signed up trainees, gave them a manual and left, and the trainee got nothing. The shonky provider  
15 who came to town and trained 10 people in certificate IV in workplace training in four days gave a certificate and they didn't even know what to do. We decided that had to stop. We had to protect our community and we also had to be able to bring them the skills and the training they needed.

20 I could tell you lots of stories, the story of the young boy who committed suicide at age 20 because there was no hope as he saw it in a little town like that, except for picking tobacco in summer and dishwashing in winter because there was no access to training, or his mother who had been for 20-odd years a great volunteer in the community but under the new eligibility, because she had  
25 an associate diploma in computing which she got in 1984 when computers filled this room, was actually no longer viable now, was not eligible for any other subsidies in training but didn't have work and so couldn't support.

These are the situations that I think are wrong, and like the speaker before said,  
30 you cannot means test by a qualification. That is the wrong way to means test. I have a millionaire in my area who has no qualifications and under the present system, I could enrol him in every certificate I on the planet, every certificate II, every certificate III, and he would be eligible for every single one of them, and yet a person who is unemployed, whose certificate is outdated,  
35 cannot get any government help. That is wrong and it is very unfair.

Now, unfortunately, our area is now being invaded by the shonky RTOs again offering their cheap and their dirty courses and there is nothing our organisation can do about it. We did a submission to the early investigations  
40 and we titled it Fantastic Idea, Great Opportunity, and we felt that contestable funding could do that and could open the doors. But we also added, "Get it right or we're stuffed," and unfortunately our area, as far as being able to have training in Mount Beauty, is stuffed.

45 My organisation fought strategically. We found a niche market and we are

trying to deliver to that niche market but it isn't in Mount Beauty. So that niche market keeps us afloat, just, only just, whilst our community can have nothing because we cannot deliver to a critical mass challenge. We're not a thin market. I don't like the term "thin market". Under the old system, we  
5 struggled to get numbers. We would run a course with six people that nobody else could afford to do because we run with 30 volunteers and tutors who will work overtime for nothing because they love their community. But we can't deal with any of those courses now because you just cannot get enough people who are eligible for certificate II and certificate III; the only work that they're  
10 going to get in Mount Beauty and Falls Creek is hospitality.

It says in the review that thin markets should be looked at outside of the VET fee and funding thing and that scares the daylights out of me because it's a good excuse to say, "That's not our problem, it's got to be handled outside," and  
15 it never gets handled." So at the moment we still feel they got it wrong and we're stuffed. Thank you.

PROF BURKE: Thank you very much. Again, if you are able to also put your views into a submission, it would be very welcome. Michael  
20 Zengmeister.

MR ZENGMEISTER: Hello, and please don't be alarmed, this notebook isn't filled, there's only a couple of pages in here. Michael Zengmeister, I'm from Box Hill Institute and I should also declare I'm a member of the AEU and on  
25 the sub-branch executive there. I'd firstly like to support and acknowledge the previous contributions. I'm in full support of the sentiments expressed and the concerns raised there. We also have similar issues with regard to students in qualifications that they're really not suited for, but because of the funding model have been pushed into.

30 I certainly feel for the smaller communities because one of the things that's overlooked here is the community-building value of a TAFE institute. Certainly I've been at Box Hill for about 700 years and that role of community is very much one that I feel I've been a part of during that time since 1983  
35 when I joined up and resigned my secondary registration as a teacher in order to register with the TAFE system because I believed in it. It's something that I have had a strong and passionate involvement with during that time.

40 My concerns in relation to the current situation with regard to funding and so on is that the terms of reference for this inquiry, I think having had that confirmed for me today, were interesting. They were about the funding model, not about quality. That concerns me, that quality seems to be almost a secondary concern instead of looking at the dollar and cent side of things. It's that old argument knowing what stuff costs but not its actual value. Training  
45 and education seems to be becoming increasingly commodified, particularly in the

sort of non-traditional sector, rather than slag each other off in various forums.

5 I've been to various training sessions and inevitably there seems to be some  
sort of dispute between private and public providers over issues of quality,  
et cetera, when really there is so much more that could bring us together and  
enable to do things like, for example, build a cohesive research culture into  
post-compulsory education and into vocational education in particular. It's an  
area that seems to be lacking in detailed research and would definitely benefit  
and particularly in terms of raising vocational education back-up to a higher  
10 level, rather than some sort of poor cousin or sibling or child of higher  
education. Vocational education has a value that is intrinsic and is often  
overlooked in situations like this. So it would be far better if we could work  
collaboratively to build a national skills development approach, rather than a  
fragmented state-by-state system.

15 TAFE in Victoria has traditionally been the lowest funded in the Australian  
environment and TAFE in Victoria has been used to competitions since 1993.  
We got pretty good at it but it was competition that was based on quality not  
price and now it seems to be that price is the major determinate and the  
20 concern there is that when consumer - and I hate using that word in relation to  
education but this is what we're talking about - when a consumer sees that  
government funding applies to a course, that is taken by many of them to mean  
government approved and that's not necessarily a correlation that exists but  
nonetheless that's how people see it. Therefore we can have shonky things like  
25 diplomas and advanced diplomas that seem to be delivered in hours rather than  
years and that is of concern in terms of the nature of quality that exists.

We've already examples of students who have come from a private provider  
with their qualification to - well, at Box Hill, for example, and are seeking RPL  
30 upgrade of their qualification because they feel the Box Hill imprimatur, on top  
of what they've already done, is preferable to the name of the particular  
provider they went to. That doesn't bode well in relation to views of quality in  
relation to this. I'm just trying to race ahead because I know we're pressed for  
time. It's becoming much more about the bit of paper than how much that bit  
35 of paper costs, rather than what sits behind the bit of paper. Now I've said that.

Finally, one of the things that private providers are often not necessarily  
required to deal with or provide support for are the students that are challenged,  
the students that are disengaged, that come to us often as a last resort, that  
40 come to us seeking to work out what it is they wish to do with their life. We  
provide those support services. Under the most recent arrangements that have  
been put into place, a lot of those have been jeopardised. We're being hit on a  
variety of levels that ultimately will be detrimental students that we are really  
are there, I think, in part to help the most.

45

It's also going to mean that attracting teachers to this environment is going to become more and more difficult. There's going to be a greater increase of casualisation, which leads to a loss of institutional knowledge about how to deal with the more challenging students that we face. If that disappears out of the public provider sector, it's going to disappear entirely and that shouldn't be allowed to happen.

Finally, the looming battle between the TAFE and VET education and university sector is, if funding changes take place there, are going to have an increasingly negative impact on the perceived value of vocational learning and I would just want to reiterate that vocational learning is important and it doesn't need any more assaults on it. Thank you very much.

PROF BURKE: Again, just if you are able to also make a written submission, it mightn't be on all the issues, you might just want to pick up particular ones and the ones that are particularly helpful is where you make reference to particular examples, if they can be carefully documented because some of the questions about disadvantaged students and particular disadvantage and particular exclusions are quite important for us to be able to get our heads around and be able to comment. Well, it's now - Peter, do you want to finish the open session?

DR VEENKER: Yes, thank you, Gerald. We thank the three people who presented before. What we'd like to do now is invite some feedback regarding your reactions to the report in a general sense and then perhaps invite you to think about some of the themes that you might like to explore further that have come out of the report. I'm particularly interested in - if you have a reaction to a cluster of recommendations or a particular recommendation and also we'd interested in in terms of the immediate and the longer-term objectives and what you see coming from the system and, in particular, the matters that you think that you might like to suggest a response as far as - if this recommendation was to go ahead, what might be some of the implementation-type issues associated with that. We have had some of that feedback already but that's of value to Gerald and I as well. So perhaps if we start with the first part. I invite your reactions in terms of the overall report and the directions, and then we'll go further and see whether we can explore some themes that are in the report. Is there anyone who wants to make a comment, ask a question? Thank you.

MR GIDDY: My name is Andrew Giddy. I'm with NIT. One of the concepts in here is just talking about the market based model and one of the things stated here is that to have an efficient market, you need to have sophisticated price-aware customers. The whole training guarantee is based around the 16 to 20-year-olds which are not necessarily going to be the sophisticated and price-aware customers. Although there's recommendations around price awareness and greater visibility on price, it's really not tackling

the other side which I think has been alluded to today which is the quality aspects. If you compare a prospective VET student to a higher ed student, a higher ed student has the advantage of a very simple number which is a TER ranking which gives some indication of quality or ranking or future prospect, whereas a VET student really has nothing apart from brand marketing and advertising as a reference point to make these decisions. The question really is: can you ever really get to a sophisticated price-aware customer in this particular sector without some sort of indicator? That's I guess the philosophical point.

10

DR VEENKER: Thank you. The recommendations regarding further transparency as far as information is concerned, are you voicing the concern that for the type of cohort you have just described, that may not be enough?

15 MR GIDDY: Without the quality measure - - -

DR VEENKER: Yes, okay, thank you. Other general comments, yes?

MR BOWD: Just a comment, and I'd be interested to hear what you think. The report in some way seems to be a bit - it's kind of like a split personality, especially in the context of the changes that were announced to funding last week, in that it recommends increasing the role of price signals in allocation of resources which we've had since the middle of 2009. What we've seen last week was a reaction to the implementation of increasing the role of price signals. We've got more personal trainers than we need. We've got more people that can be trained cheaply than we need and that's a result of increasing the role of price signals in funding allocation. So on one hand - and I'm really looking forward to it - the review recommends a market oversight body.

30 DR VEENKER: An independent body.

MR BOWD: Yes, an independent body and greater transparency which means we're all going to have to get more information, more data.

35 DR VEENKER: That's correct.

MR BOWD: But also more roles for prices. It seems that there's a bit of conflict between those two concepts. There's more regulation and also more of a role for prices. Why can't funding be based on cost? I know someone that's doing a diploma in remedial massage online. They get the same funding from the people that are offering this diploma as someone that is doing it full face to face. That really is something that needs to be addressed. I know that the cost review that's recommended does that and I'm looking forward to it, but I would have thought that should be expedited before the increased marketisation which we saw last week is implemented. Yes, that's all I've got to say.

45

DR VEENKER: Thank you. You're suggesting that there are gaps between  
some of the implementation of those recommendations as far as, if I heard you  
correctly, mode of delivery, understanding the different types of costs  
5 associated with those modes of delivery.

MR BOWD: Yes, the way in which the review uses its flexibility - - -

DR VEENKER: Yes.  
10

MR BOWD: To me, that would be an inquiry and (indistinct) RTOs, but  
we've done nothing on (indistinct) more important to me.

DR VEENKER: Okay. So the review's recommendation about a benchmark  
15 price, using the terminology in the review, you're supporting. It's to get a  
proper assessment of what might be the price, as in the report. Is that what - - -

MR BOWD: Yes, based on cost and not the marketing.

20 DR VEENKER: Okay. The other part is the quality issue, and we recognise  
that. We've had some feedback from some of other sessions as well regarding  
the need to have a good look at the quality part of this equation. Other  
comments?

25 MS HILLMAN: I'm Jenny Hillman from Box Hill Institute. I'd just like to  
comment on eligibility and it's probably a minor point, but traditionally the  
VET sector have often offered very practical qualifications and we've had  
higher education students, after completing their higher ed qualifications, going  
back to the VET providers to get the practical skills to make them employable.  
30 So I'd just like to sort of comment on the fact that once you get a higher ed  
qualification, it doesn't mean that you're fit for entering industry or entering  
into employment. So that area of eligibility I don't think has been addressed.

35 Quite apart from that, a smaller part is that a number of the VET providers are  
providing higher education courses for fee for service.

DR VEENKER: That's correct.

40 MS HILLMAN: Now, once a student has a higher education qualification  
with fee for service, they're not eligible for government funding for anything.  
So in a sense, they've paid fee for service for their first course of choice and  
they will be up for fee for service for any further training, so I think that that is  
an issue that should be addressed by the eligibility concerns. Probably a better  
45 answer to that would be to allow the VET providers who are providing niche  
market, higher ed courses, give them access to government funding as well, in

terms of CSP funding. I know that's not part of this particular arrangement but I just wanted to make that point.

5 PROF BURKE: I was just going to add, of course under the way universities  
are funded, the person who does your full fee for service higher degree in Box  
Hill can go off to university and get a government supported place within the  
university if they're eligible. It's one of the oddities of the difference in the  
way in which university funding is done, which unless you're going to do a  
deal with the university, as the dual-sector institutions are probably able to do,  
10 you might miss out on some people. That's a different issue, I suppose, and it's  
addressed at the end of the report where they talk about university and VET  
relationships. There's a lot to be sorted out there and it's difficult for a state to  
sort it out and it's not clear that the Commonwealth is moving very fast to try  
and sort it out yet.

15 DR VEENKER: The question about eligibility has been raised and certainly  
the report does have some recommendations regarding eligibility. From what  
I've heard so far, you're suggesting that that is a critical matter and needs to be  
looked at further. Are there other comments about that theme of eligibility in  
20 its broader sense?

MS EVANS: Sorry, I'm passionate about education and that's why I'm up here  
again. One of the things that seems to be unfair and it's the thing I mentioned  
before, about the millionaire that can enrol in umpteen courses, is the fact that  
25 you have somebody who is ineligible who can't get government funding for  
one qualification and somebody else who is eligible who can get funding from  
multiples across the board. Unfortunately I know there are people who are  
being told, "Don't finish your qualification." Do we really want to be  
encouraging that? Do we want to be telling - and I have friends who are telling  
30 their year 12 students, "Enrol in university, defer, go and do VET training and  
get as many qualifications as you can while you can." This is not really the  
message we want to be giving, I would think.

I actually know of a person who has enrolled in a total now of nine diplomas  
35 and is doing most of it supposedly RPL - good on her - but she's enrolled in  
them all while she's eligible. That to me is an utter and absolute waste of  
funds. So at the one time, the minister is saying, "We need to be spending our  
dollars wisely," and on the other hand, they're not spending their dollars wisely.  
On one hand when ACE organisations and TAFEs used to say, "Can we have  
40 some more funding because we've got students that need it," they were told,  
"No, the bucket isn't big enough," but suddenly, there's two or three hundred  
more private providers who can access that bucket, who are not using that  
money wisely.

45 I know of people myself who have been put into diplomas; I know of a

company that's been made redundant and the workers on the factory floor were given certificate III in frontline management when in actual fact they can hardly speak English and should be doing some of those earlier courses. This is wrong, what's happening.

5

The other thing is quality. Unfortunately we are regulated up to here, but it does not prove quality. All it says is, "You've got good paperwork," and the RTO I spoke about who came and delivered that cert IV bragged during the delivery that they had just got through their audit. Now, you can get through those audits but it still doesn't say what you deliver to that student, and that's the thing that seems to be missing somewhere. Maybe we need mystery shoppers. Go along and see how hard it can be to enrol at a TAFE sometimes. I know people who have struggled. Go along and enrol in that online course and see what it's actually like. What does it deliver? I think we're auditing at the wrong end. We're not auditing at the outcome, and as the speaker before said, there's a big distance between when you pay your price and enrol and when you get your outcome, and of those students who got their certificate IV certificate, did any of them actually complain to the VRQA about the outcome? No, because they were afraid they would lose their certificate. They complained to me, and I was the one who ended up having to train them, with no money, because they had already been enrolled in the qualification.

So I really think we need to take a whole new look at quality. I think we need to look at the other end, from that end, and I think we need to look at that multiple enrolments system and stop discouraging people from finishing their qualifications. Thank you.

PROF BURKE: Can I just say thank you. I think the point you're making about how do you monitor quality is particularly important because the quality issue has been coming up in all the consultations. You're offering a particular view of the audit and outcome review and I think that's useful. Again, I urge you to spell it out in writing; I don't know how much time you've for this, you've got other people to teach and so on too.

MR ZENGMEISTER: I'd just like to add to the comment just made about completions. A concern about the current funding models continuing in this way, yet at the same time, ideas being floated - apparently it was on the radio this morning - that perhaps one thing that should be considered is funding on completions. Well, we've got two competing interests there, where people are deliberately not completing in order to maintain their eligibility criteria, yet at the same time, people are perhaps now thinking, "We should fund on completions." Those two are going to mutually exclusively damage the sector even further. This is an area that I agree needs absolute priority in terms of looking at.

45

Once upon a time it would have been nice to have considered the idea of perhaps just being eligible because you're a citizen and you're eligible. This whole thing has become far more convoluted than it needs to be, in my view. In terms of clarity of product and pricing and all that stuff, it seemed to be  
5 pretty clear what a course cost back in the 90s. I don't know why it had to be so incredibly complicated in the last few years as the sort of bizarre eligibility criteria were built in. That example you cite is exactly right. If you're not qualified, "Go for it, get whatever you can," but hang on a minute, I might have  
10 scads of money that I could be putting into the system. It's weird. Thank you.

DR VEENKER: Picking up some of the threads, yes, please come forward, just to comment on your feedback so far, the eligibility area, the quality area, the need or the opportunity for student complaints. I know that these are areas that are in the report and I'm also hearing your feedback on that; the need for  
15 transparency and with the student complaints, perhaps an independent arrangement or something along those lines might be helpful, and the mixed messages that you're saying are flowing out of the existing arrangements. A review of the funding model has also been suggested in the report in part, the weight of the model, and we've made notes about that as well, so thank you for  
20 that. I'd invite you to comment.

MS GRAHAM: Thank you. Fiona Graham from Swinburne; I just actually wanted to add to those comments about the convoluted issues around  
25 eligibility. My comments are that government has used eligibility as a pseudo-capping mechanism. That has been from the design of skills reform. It was absolutely used, and government I don't think would step away from saying that. They don't say it openly but it has been used as a way of capping places, in effect, and capping student demand. So those things absolutely must be separated in this next tranche of skills reform. If government wishes to  
30 control its investment in VET with a finite budget, it needs to do it in a real way and not through an artificial mechanism around student eligibility and pushing that back out to students. It hasn't worked well and it doesn't actually satisfy labour market demand, nor does it protect our most vulnerable learners. So those two things absolutely must be separated, price, cost and eligibility.

35 PROF BURKE: Thank you. It's possibly asking you too much to go the next step and suggest how they be separated too in making a written response? That would be helpful.

40 MS GRAHAM: Yes, I'd be happy to put that in writing.

PROF BURKE: Yes, okay. Thank you.

45 MR LANE: Thank you. Mark Lane from RMIT; there's just a couple of things I wanted to talk about. One of the ladies presented earlier and they

talked about having a partial subsidy after seven years if you have got a higher qualification to study at the same level. I'm just not sure that that's going to achieve anything. But then they also said about having a full subsidy after 15 years, so that means we're then responsible for administering a cohort pricing for two particular cohorts, so those who are at seven years and those who are at 15 years.

We've heard a couple of times that we want to reduce the complexity; that adds complexity and makes it a lot harder for us, especially as a bigger provider. It makes us more difficult for us to actually then report back through to Skills Vic and ensure we get the funding. I'm a little bit concerned over the recommendation or the comments that the lady has also made around the assignment of eligibility exemption places and Skills Vic taking over the administration of that. That potentially could be quite large. I have some concerns, and I'll go on to the web site and put these down as well, about Skills Vic actually administering that, which could be quite large on all of our parts, and how that will actually work I think is a bit of a question.

The other item is around the differential funding and the reduction of the differential funding. Certainly we fully support having funding for public providers outside the fee and funding system. Why is that? The idea is to make it competitive with the public and private. Reducing the differential funding actually creates I guess more anticompetition, and purely and simply because public providers have quite large overheads, usually the larger providers, where private can go, get a little room, do their little bit and they're all home and hosed, so to speak.

I give you one example: because of the reduction of differential funding, we'll be providing a business course for about \$3.85 per hour. It doesn't cover our costs. So it's forcing us as a public provider to can that course. We can't do that privately any more. We have a number of courses which will fall into that category over the next few years. So it's giving the business courses, which are generally the cheaper ones to run, and saying, "Here, private providers, go forth and do them." The public providers will be saying, "Well, we can't do it any more." That also comes back then to the quality the public providers have. They have a huge commitment to quality and quite a few regulations around quality. I'm not convinced - and as we've heard - that the private providers are put under the same level of scrutiny as the public providers are.

PROF BURKE: I was just going to say thank you in commenting about that and we can report that comment about the relativities and so on. At the same time, it would also be put that the public institutions are provided with capital infrastructure that the private providers are not, and so there's a whole - we can't solve that from here with our comments. We can report the views but that's another issue for further investigation and which is what was

recommended in the report, that the basis for that be further study.

MS THOMPSON: Lisa Thompson. Just a couple of other perspectives from RMIT University. Firstly, the implementation costs, going back 2008-2009, in response to the first round of reforms, RMIT invested a significant amount - significant amount in getting itself ready to actually be able to respond and to implement the first wave of skills reform. So again we are faced with a similar issue in terms of investment, re-configuring our systems, our processes at an enterprise level to cope and we look risky with the most recent changes announced last week, so that's problematic, so an implementation issue.

Secondly, in terms of being able to plan from a budget perspective, respond institutionally to our own strategic plans and endeavours, we need fee and funding schedules at least three years out. It makes it very difficult to manage business, if you like, with a shifting funding basis and shifting markets, so another implementation issue for the government to consider.

DR VEENKER: Thank you. Any further comments? We welcome further feedback. High needs students, we have commented on that before. Are there any additional comments you want to make about that? It was referred to in the presentation we had at the start. The report does recommend we do more work on that. Okay, thank you. Any other themes that you've picked up? Issues?

PROF BURKE: The funding in arrears, any comments on that? Is a recommendation to continue but it be further examined and improved.

DR VEENKER: Thank you. Well, Gerald, do you want to make - - -

PROF BURKE: Okay. The concessions, I don't know whether that point got over clearly what was being recommended in the report that Linda referred to. At the moment, concessions are the minimum fee and that fee will remain next year, even though of course category fees were removed. The report recommends that concessions move at some stage to not a set fee but to a percentage of the fees charged for the hours that are done. There's an example in volume 2 of the report if you want to have a look at it on - an example given, if they were charged - given a concession of 50 per cent fee. Actually at 50 per cent, a lot of them would have to pay a good deal more, depending on the hours they did, but you might want to look at that. As Linda said, well, that was an example. We weren't saying it should be 50 per cent, it could 70 per cent, 80 per cent whatever. You might just have a look at that if you want to be concerned about those who are getting concessions.

It is interesting the report does document that very large proportion of people who do get concessions already. It seems about 25 per cent. I think it's across

the board. It really is quite high. But I think the concessions thing, you may want to look further and again there's time later on, if you have views on it, you could respond on the web site.

- 5 DR VEENKER: Well, thank you very much for participating in the session today. Gerald and I found it very informative. There are some re-occurring themes that we're picking up on and we'll be making our report to the minister by the end of November. Having that date in mind, though, the reason for mentioning that is because what we have heard today we would like to - if you  
10 want to, as Gerald has mentioned, make further comments online to reinforce some of those thoughts, or you have further suggestions about a way forward on some of the more difficult issues, we would welcome those type of suggestions as well. So thank you again and from everyone who has made the time available and come November we'll be doing our work to complete our  
15 response on your behalf. So thank you very much for that.

**MATTER ADJOURNED AT 10.55 AM ACCORDINGLY**