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

**DR P. VEENKER  
PROF G. BURKE**

**SHEPPARTON**

**2.09 PM, THURSDAY, 3 NOVEMBER 2011**

**DAY FOUR**

**Continued from 3/11/11 at Dandenong**

DR VEENKER: Ladies and gentlemen, good afternoon. My name is Peter Veenker, and Gerald Burke and I welcome you to this session. It's nice to be back in Shepparton. I have been here before, in this very venue, actually. I am delighted to be here to hear the feedback regarding the ESC report.

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We thought the best way to actually have a productive afternoon with you would be if it was divided into two areas. We have some colleagues from the ESC, who will be introduced more formally later, and they will give you a brief overview of the report, and of course there are 43 recommendations in that report. After that, it will be opened for questions, for clarification as far as the report is concerned.

In part 2, there are four verbal submissions registered and we will invite those people to make their verbal submission and if discussion flows from that, that would be most welcome. We would also then open it up for a formal type of discussion with you and I'm hoping that in the first instance there, we could get your general reactions to the overall report and then perhaps because there are some recommendations, actually tease out some of the main themes, and we'll be very keen to hear your views on those themes as well.

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I recognise that there are people from a cross-section in VET here with us today and again I know you're all very busy people, so we appreciate you giving us your time. This is a formal public consultation and because it is, it is recorded and therefore we ask you, if you want to make comments, you use the microphone and if you could identify yourself by your name, and it would help Gerald and I if you could also indicate the area of VET that you work in or that you are particularly interested in.

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Also, ladies and gentlemen, over the last couple of weeks there have been some changes announced and we also have representatives from Skills Victoria with us today. We thought it would be productive if, before we start the formal consultation phase, we invite David Clements to briefly outline those changes and he has kindly consented to also be available after the session, after the consultation has finished, to answer any questions you have regarding those particular changes. Are you comfortable to proceed along those lines? Thank you.

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Having said that, I invite David to make the initial comments and then I'll move over to Gerald.

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MR CLEMENTS: Good afternoon, everybody. As Peter said, my name is David Clements, I work at Skills Victoria. I'm assuming that most people in the room would be aware of the changes that were announced a couple of weeks ago to some of the fee and funding settings for VET.

Without going into those in great detail, there have been some adjustments made to the TAFE differential, the higher hourly rate that is paid for TAFE compared to non-TAFE training providers, for a number of large TAFE providers. There have been some adjustments made to the industry weighting that applies to a number of industry groups. There has been the cessation of some special arrangements that had been in place for apprentice students studying at a VET provider, and there have also been some changes made via the removal of maximum and minimum fee caps, tuition fee caps, that a student might pay.

I didn't want to go through those in detail. As I said, I am assuming that a number of you will be familiar with those. I am more than happy, though, to talk about those after the session with anybody and also if people haven't got information about it and they would like it, I'm also happy to take your details and email you out a fact sheet about it.

The reason that we were keen for us to introduce these changes now is to really underscore the point that whilst the changes have come out and the government made a call on making these changes for 2012, and if anybody saw the press, I'm not sure if you did or not, they referenced the fact that in broad terms there was consistency with those reforms and some of the directions recommended in the ESC report, which is what you are about to obviously get some more feedback and discussion about, in no way do the changes that have been made represent a fulsome or complete response to the ESC's report. This is obviously a far more detailed report, as Peter said, 43 recommendations covering quite a broad range of areas.

To acknowledge the fact that a number of people, I think quite understandably said, "Why has government come out and made some changes now in advance of this formal consultation process that is obviously under way as well?" I think that's a reasonable point. Obviously government made a decision based on their views of appropriate tuition rates for 2012 and beyond, they couldn't hold that decision off until 2013. But to say that there's certainly a much broader range of issues that the ESC's report picks up and which government obviously is going to have to be responding to some time in 2013.

As Peter said, I'm more than happy to hang around and talk to people with any clarifications or issues you might wish to raise about the changes that have been announced recently.

DR VEENKER: Thanks, David. We will now formally start the consultation phase. I would like to introduce Gerald Burke. Before I do, the job of Gerald and I is to get your feedback and we will be consulting with various

stakeholder groups as well as public consultations like this one right around Victoria and then we have been asked to provide that feedback to the minister by the end of this month.

5 It's a fairly tight timeline, but it is important that we do get your feedback and it is not only the verbal feedback we get today, we also hope that you use the opportunity, if you want to, to provide comments online to us, which we can also consider. You may walk away from here and think, "There are some other matters that I wish to raise," feel free to do that, we encourage you to do that. I  
10 would like to introduce my colleague, Gerald Burke.

PROF BURKE: My job at this stage is to introduce Angelina Garces and Linda Duncan from the Essential Services Commission. They, together with  
15 Dr Ron Ben-David, the head of the Essential Services Commission, undertook this report over the last six months or so and presented it to government.

Probably most of you who have seen it, know that it's got two volumes; the overview volume is the first one and then that much more detailed discussion leading to each of the recommendations in volume 2. I'm getting in early to  
20 say that if you are going to go ahead, and we would like you to, to follow up today with actually putting some comments online in relation to the web site, and we'll draw your attention to the web site and so on at the end, in the areas of your particular concern, it is worth you checking volume 2, the particular  
25 recommendation that you are relating to, because there is a quite detailed argument put for each recommendation.

You might agree or disagree with it, but you might like to make sure that you have seen the more detailed volume. I think a lot of people, quite reasonably, have pulled out after they have read volume 1 and they have done very well to  
30 do that, most people read two-page executive summaries of most reports anyway, but that's just one thing at the end.

I will hand over now to Linda, who is going to do the presentation, and Angelina and Linda will answer questions in relation to it. Then Peter and I  
35 discuss will discuss with you the four presentations we are having and the broader discussion.

MS DUNCAN: Firstly, good afternoon. We have only got a fairly short space of time to quickly run through an overview of our recommendations in our  
40 report. I recognise that it will be fairly high level and not going to go into a lot of detail, but if you've got questions of clarification, we are happy to take them at the end.

Firstly, for those who don't know about the Essential Services Commission, we

are the Victorian Government's independent economic regulator. Our background has traditionally been in the energy, electricity, gas, water and transport sectors, and through our work in those sectors, we have developed some expertise about government funding, government pricing and fee models, and that's the context with which we were asked to look at the VET fee and funding models.

As you know, the previous government introduced reforms in around 2008 that significantly changed the way the VET market operated in Victoria. There was previously a capped number of places; the reforms introduced an uncapped number, with eligibility based on certain criteria. There was also increased contestability amongst providers, between public and private providers. So this was the start really of trying to get the VET market to work as a market, and that is the context that we have taken when we came to work on this review.

We received terms of reference on 4 May and so it was just a fairly short five-month process. During that time, we received submissions from stakeholders, we met a number of training providers, and we held public forums in both Melbourne and Bendigo. Unlike many of the commission's reports or reviews, this process didn't have enough time in it to produce a draft report. Normally we would have a draft report, receive feedback on that and then produce a final report to government. But in this case, we just produced a final report and now your feedback on that is being sought through the expert panel, so there is still scope to provide comments.

As economists, we look at the market and that's what we were asked to do in these terms of reference, to examine the efficiency of the VET fee and funding arrangements in that market. For an efficient fee and funding model, the criteria would be that the price - and that's the price that a training provider is willing to offer training for - is equal to the amount that they receive, which is a combination of the fee they get from the student and the subsidy received by government.

When we looked at the current arrangements, we found that this condition wasn't being satisfied. There are a number of constraints that stop the fees from reflecting what the actual price is and also the subsidy levels are based on historical data, so not necessarily reflecting those costs either.

For the market to work, we felt that the market constraints should be removed, that there could be improved transparency with regard to training quality and also better information available to students, the government and training providers about what was being offered.

We made 43 recommendations in all, covering the whole range of issues, so

I will just go through each of what I have categorised them into. First of all, eligibility, and that's the Victorian Training Guarantee. Whilst ideally the government might like to provide funding to all students to undertake training no matter how often they want to undertake training and in whatever areas they like, the reality is there are budget constraints and in fact the commission was asked in its terms of reference to make its recommendations prudent in the context of the state's budget position.

So when there is a limited budget, I guess that creates some winners and some losers. Under the previous system, the winners were those who obtained one of the limited number of places and the losers were perhaps the ones that missed out after all the places had been allocated.

When we looked at the VTG, we thought that in a number of areas it was perhaps working against the achievement of the government's objectives in relation to the VET sector and that the government could consider revising the VTG to address students who had outdated qualifications, to provide them with some form of subsidy to access training at the same level.

In our recommendations, we said that after seven years, a student with an outdated qualification could be able to access a partial subsidy and after 15 years, they would have access to a full subsidy. Whether those years are seven and 10 or seven and 15 or five and 10, I guess is a matter for feedback. For us, it was more the principle of the partial subsidy after a period of time and a full subsidy after a longer period of time. So that was the main point that we were trying to get across.

Also in regard to the VTG, we said that VCE and VCAL shouldn't be counted when considering whether a student is upskilling, and we thought that apprentices and trainees could be treated consistently with other students.

With regard to eligibility exemptions, we felt this process was really to assist those students who were unable to afford full fees. In that sense, it is an issue of income and unemployment or employment and that the Commonwealth Government was therefore perhaps in a better position to be able to make these decisions and help administer the scheme than the State Government, and we think that there is scope to talk with the Commonwealth Government about how it might be able to assist in administering a more targeted scheme that more appropriately helps those students affected.

In the meantime, we felt that Skills Victoria or the government could improve the exemptions process by providing additional guidance to providers on the objectives of the exemptions process and clarify those students who they were trying to assist; that allocations of exemptions be twice a year and that they be

based on a market share of the training provided in the previous year; and also that exemptions are based on value rather than a number of subsidised places. So that may be providing more flexibility to training providers to tailor it to the needs of the students that are approaching them.

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With regard to tuition fees, as I said earlier, there are a number of constraints currently and we felt that the minimum and maximum category fee caps and the annual cap could be removed. However, the maximum hourly tuition fee rate should be retained until such time as there is sufficient competition and that may only be competition for certain training courses, such that training providers were unable to inflate fees unfairly for students.

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We felt that training providers should be required to publish both the full fee for service rate and the tuition fee for government-subsidised students, and that it's currently quite hard for students to determine what their fees are. We realise that is in part because of the minimum-maximum and the concession fees and the difficulty or complexity of the current arrangements, and partly these recommendations were aimed at simplifying it to make it easier for students to understand and providers to administer.

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The final point there is that the maximum hourly tuition fee rate should be indexed annually, and that means perhaps an index like the CPI, that fees would automatically increase every year.

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For concessions, again this is more income and we felt the Commonwealth Government is perhaps in a better position to assess this than the State Government and that there could be a greater role for the Commonwealth in administering concessions. In the meantime, we felt concessions could be calculated as a percentage of the maximum hourly tuition fee, and this would mean that the concession fees paid by concession students would vary depending on the number of hours of training they undertake, rather than fixed at a minimum, as is the current case.

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Perhaps you could think about that in terms of a student who is entitled to a concession receiving, say, a 50 per cent discount of the normal rate or a 75 per cent discount. Again, we didn't comment on what percentage that should be; that is a matter for the government's policy. What we were trying to put across is the principle of this percentage.

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We also felt that concessions should be reconsidered where students have access to VET FEE-HELP, because VET FEE-HELP already provides a mechanism to address those income issues. With regards to VET FEE-HELP, we recommended the State Government consult with the Commonwealth Government about improving the flexibility of VET FEE-HELP, making it

more tailored to the VET system and extending it to vocational graduate certificate, graduate diplomas and certificate IV qualifications, or if not all certificate IV qualifications, perhaps nominated certificate III or certificate IV qualifications.

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With regard to funding, the first thing we recommended was that there should be a cost and pricing review undertaken to better align the current funding rates with the costs incurred by providers; that the funding schedule moving forward should be indexed annually, such that funding increases in the same way that fees would; that the TAFE and non-TAFE base rates, the differential between them, be removed over the next four-year funding arrangement; but at the same time the governance and funding arrangements of publicly-owned providers should be reviewed to assess whether there are additional costs or what those additional costs are for public providers and then determine whether they should be funded and, if so, the best mechanism to do that outside the fee and funding schedule.

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For thin markets, we heard that there are issues of thin markets with regard to geographic locations, particularly in small rural areas or in relation to certain subjects or course types and we felt that these would be better addressed outside the fee and funding model, if the government wished, or industry for that matter wished, to address them.

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For higher needs learners, we did hear quite a bit through submissions and when we spoke to providers and in our forums, that higher needs learners do result in additional costs for providers, but it was very difficult for anybody to articulate who a higher needs learner was and what additional costs there were in terms of quantifying them. So we are recommending that the cost and pricing review should attempt to identify the costs associated with higher needs learners and then any additional costs should be funded separately outside the fee and funding structure.

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Those recommendations that I have just outlined are trying to make the VET market work more efficiently, but we recognise that in some areas the VET market won't work efficiently or to achieve the government's objectives without some level of intervention; and that if there is intervention, it should be in the form of targeted incentive payments and they should be separate to the fee and funding model and this may be in areas such as skills shortages areas or to improve participation by particular student cohorts.

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In the area of market information, we felt the information available to those who participate in the market could be improved. First, there could be data collected on the training being offered and undertaken, and whilst there is data available and collected about government-subsidised students, there isn't as

much about full-fee students and that the market really is a combination of the two of them and so greater information needs to be collected about those.

5 Information could be improved regarding training quality and also the career paths and employment opportunities and skills shortages, to help students make informed and wise decisions about how they use their VTG places, and that information could be improved regarding the VTG itself so that students did understand the consequences of undertaking training and particular types of training.

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Our final area of recommendation was relating to an independent market oversight body and that there should be such a body to monitor and provide advice to the government on the training being undertaken and also the tuition fees, changes and trends in course enrolments and the number of training providers offering particular types of courses and offering them in particular locations.

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20 Importantly, this body wouldn't be determining subsidy levels, tuition fees or concession levels; this body would simply be advising the government and providing the government with information on what is happening in the market, to inform the government's policy decisions on those matters.

25 I know that was pretty brief and I have gone through that fairly quickly, but if you have any questions on any of the recommendations or clarification, please come to the mic.

30 MR BARCLAY: Greg Barclay, from the Australian Education Union. In your report, you make comment in terms of establishing the price, you actually talk about a marginal provider in terms of trying to determine what the price might be. What is a marginal provider? Is that a provider that generates no profit and simply the actual cost of delivery, because it's very unclear in the report as to what you mean by a marginal provider?

35 MS GARCES: I guess it is probably us being economists again. I don't think we would think of the marginal provider as being someone who doesn't generate any profits; they probably still would generate a normal rate of profit, is probably what we would call it.

40 It's always just in economics we talk about at the margin, the marginal provider or the marginal cost, because the provider who is coming in at that relevant price level to offer that course is probably the one that you can use as a benchmark for what would be required to attract someone into that market.

MR BARCLAY: Can I just do a follow-up with that, because you also talk

about you see no need for there to be a differential between TAFE and the private sector. Surely issues to do with the wage rates that are paid within the two sectors provides some sort of argument about there is a differential cost in there. Again, when you talk about the marginal provider, which area do you  
5 pick on to determine it, because you're talking about setting the fee in the subsidy rate as a consequence of identifying what is the marginal charge that that provided?

MS GARCES: Yes. When we were talking about that in terms of the  
10 marginal provider, we didn't see it as being a TAFE provider or non-TAFE provider, it is just a provider. The comment that you make about the recommendations that we made around TAFEs and non-TAFEs, as a principle we see the fee and funding arrangements being very much about funding  
15 tuition and the costs of doing that.

In terms of TAFEs and other public providers, we have said that there may well be additional costs that they incur by the nature of the fact that they are publicly owned, but that those costs should probably be dealt with separately from the fee and funding requirement, which is why we have said that the  
20 governance and funding arrangements for those public providers need to be reviewed and, if necessary, you would fund them separately for any additional costs that they are incurring.

What we are saying is if you want to have a market based system in terms of  
25 the provision of tuition and how the fee and funding arrangements are working, then that amount that is being paid to the provider needs to not have a high degree of distortion in it, so that people can respond appropriately to the pricing that they are seeing in the market.

MR BARCLAY: So you're suggesting that, say, in the TAFE sector, the cost of the providing the training, at the end of the year they may actually submit back to government to say, "Our wage rates are higher, so therefore we need to have that as an adjustment"?

MS GARCES: Whether you would do it that way or whether you would just say, "Okay, TAFE providers, because they do X, Y and Z," whatever it might be. We talk about TAFE providers being full service providers, if the government has imposed on them certain requirements and one of them might have to do with wage rates and whatnot, because they are in the public system,  
40 separately you would cost that and again you wouldn't cost it by TAFE, you would just do an assessment and they would get a separate payment.

So whether it would be at the end of the year an adjustment or whether you would just go through a process and say, "Okay, the TAFEs are going to get

what we would call a CSO payment, a Community Service Obligation payment, of X because they do all of these things outside of just providing the tuition."

5 MR BARCLAY: Okay.

MR BURKE: Are there any other comments or questions?

10 MR BARCLAY: Just another point of clarification. You also talk about there needs to be some statement about the degree of flexibility in the use of training packages.

MS GARCES: Yes.

15 MR BARCLAY: When we read that, we read that in terms of what we call the shaving of hours and I just want to check, is that the same type of thing that you're talking about, where a program might nominally be declared to be six months, but yet it turns out it's offered over a weekend? Is that the type of flexibility that you mean to address there?

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MS GARCES: Not - yes.

MR BARCLAY: "Not yes"?

25 MS GARCES: Yes, I guess that's one of the aspects of flexibility that we are talking about. I think there has been an increased degree of flexibility associated with training packages and there seems to be a lot more flexibility now, in that you can actually do units from other packages.

30 We were getting comments back from employers that the people that were coming out didn't necessarily have the skills that were needed, and that whole idea of quality we see as being very important. But how you structure training packages and the quality assessment and management framework was kind of outside the scope of what we were looking at. But I think that idea of the link  
35 between processes and outcomes and what skills are people actually coming out with is what we were talking about in terms of flexibility.

MR BARCLAY: Thank you.

40 MR BURKE: Shall we stop there and let Linda and Angelina go off on a nice sunny afternoon.

MR CULPAN: Paul Culpan, CEO of GOTAFE, Goulburn Ovens TAFE. I have just come from the inquiry on rural education, agricultural education,

and I actually referred to this report in that inquiry, where I commented about the concept of public good as compared to private good, which you've made a significant reference to.

- 5 What would be your recommendation to government on how that should be defined and in a real case study, as you have here in Shepparton, where, quite frankly, as a TAFE provider, based on current funding arrangements it would be a lot more commercially viable to invest in non-agricultural programs, specifically in the more higher margin, marginal areas, and not necessarily  
10 apply the public good approach that you have identified very carefully.

Probably the concern I have is you are very, very clear around where there is an overspend or potentially there's an opportunity for savings and without going and distracting the conversation, obviously we are aware there has been  
15 an opportunity taken there, but the tough element is around these areas of skills shortage and community sustainability, where institutes like ours up to now frankly have been playing a form of quasi-government, I would say, where we have actually cross-subsidised those programs.

- 20 How are you going to allow government to be as clear as they are on how they can reduce costs in regards to how can they invest around that public good?

MS GARCES: I might try and answer that question in a couple of ways. I think one of the underlying principles in the report is this idea of getting the  
25 market to work better or getting market information to work better, and the idea of the market oversight body and the idea of taking the information that the market is revealing to then think about what your subsidy levels should or shouldn't be, and in some cases perhaps government is paying over the odds for some courses and perhaps not paying enough for other courses in areas where  
30 there might be shortage or areas where it might be more costly to deliver those courses.

The report also talks about where there is market failure and the use of more targeted intervention in those instances. We talk about making incentive  
35 payments to students, but we also, I think in the report, talk about making those payments to providers where, if particular courses aren't going to be provided in particular areas unless there is additional assistance that is provided, we say there is a role for that.

- 40 I guess we see that market oversight body playing an important in terms of understanding what is happening in the market and providing government with the information that it would then be able to use to determine where it needs to intervene or where it doesn't need to intervene.

PROF BURKE: We're very glad that you stayed those extra few minutes. We are now having four submissions, a few minutes each. Greg Barclay is going to be the first, followed by Heather Kelly. Michael is not here, we are missing Michael Lacey. Then Tony Pammer and Scott Bewley. Greg, if you would  
5 like to start and say where you are from as well, for the record.

MR BARCLAY: Greg Barclay, from the Australian Education Union, Victorian branch. In terms of our submission today, I suppose we wish to draw on some of the information that is available to us as a consequence of two  
10 things.

One, we have heard about some of the recommendations that have been picked up and proposed to be implemented from 1 January 2012, but also to draw upon the recent Auditor-General's report in terms of their investigations about  
15 the competing interests in VET in Victoria about community service obligations and the requirement to provide education and training, and the competing agenda that has been foisted upon TAFE institutes in particular about the need to be entrepreneurial and generate a profit.

I guess it's fairly obvious to state from the outset that the AEU actually does not believe that there is any place for market based ideology in critical public sector services such as education and training, and we would point to the fact that currently the reason why some of the recommendations have been picked up is that there has been a \$250 million blowout in the budget. So we would  
20 say that is a failure of some of the market based reforms that are currently in the system, but also that there is an absolute failure of any regulatory framework to actually monitor the system as it is.  
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Within the Essential Services Commission report, while it is not a specific  
30 recommendation, there is certainly mention about issues to do with the integrity, quality and the value of training within Victoria because of the lack of oversight, and I suppose the issue I asked before about the flexibility, where you can pick up a diploma qualification in a weekend in some instances. They go to the heart of what sort of faith, what sort of trust can we have in this system  
35 in Victoria without someone to actually oversee what is happening in terms of those types of standards and the credibility of the qualifications.

We have already noticed within the last week, since the announcements, some of the major institutes within Melbourne are already talking currently around  
40 about 200 to 300 redundancies, they are EFT positions. We would expect that they would go to many more in terms of people. We also have institutes not only in the metropolitan area but also within regional Victoria who are starting to make statements that, as of 1 January 2012, there will be no fixed term contracts used within the TAFE system.

Within TAFE in Victoria, we currently have in excess of 60 per cent of the workforce casually employed, which means they are not actually available to provide that additional support and advice to students that students so  
5 desperately require. So if it turns out that the institutes actually do move to not use fixed term contracts in the future, we may get to a point where we start to see a workforce of around about 80 plus per cent casualised within the VET sector. That has huge implications in terms of not only the quality of the education and training that students get, but the long-term prospects of the  
10 sector itself.

Building on that in terms of the Auditor-General's report into what happened with Holmesglen, I guess it is worrying to see that the Auditor-General  
15 comments on the fact that, from the top level, the Victorian Schools Commission, which provides advice to the government, they felt that the Victorian Schools Commission had failed in the dual role that it had.

To say they were fairly scathing in terms of their criticisms of Skills Victoria's ability to provide advice, support and direction in a competitive environment is  
20 pretty scary in terms of if there are no regulators out there and even those that currently have some ability to provide input or provide advice, the Auditor-General is saying that they actually haven't been up to the mark, then there are huge issues.

25 The Essential Services Commission also points to the fact that the use of the national regulator, AQSA, to look at issues of quality. It is fairly well understood that since 1 July, AQSA does not actually have the capability or capacity to engage in the roles that it has as part of its brief. So there was real fear in terms of if what we were relying on is AQSA, the national regulator, to  
30 oversee standards of quality, their ability to actually do that won't be realised for at least 12 or 18 months.

So there are huge concerns again for us in terms of the standard and status of VET training within Victoria, if we actually have no-one on deck to ensure the  
35 integrity of what is going on within the system. Again, we would say that if these recommendations are to be more fully implemented, there needs to be a time scaling of them, so what actually needs to come first.

40 We would argue that those regulatory functions and those oversight functions have to be put in place in the first instance before any of the other, I guess, detail in terms of manipulations of the market force agenda before they are actually rolled out. As I said, we have already seen the impact where we may have 200 to 300 EFT positions declared redundant and a massive increase in the casualisation of the workforce in TAFE.

PROF BURKE: We'll go straight through the four and then people can comment on these items as well, it's all part of the full discussion. Heather Kelly.

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MS KELLY: Thank you for the opportunity to make this presentation. I am from Y and H Services. We are a very small neighbourhood house and RTO in regional Victoria, so my comments are based very much from the perspective of a small rural RTO in the ACE sector.

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The ACE sector prides itself on its ability to respond to the diversity of local community needs by offering flexible life-long learning opportunities and providing pathways to further learning community participation and work, and has a strong focus on re-engaging disengaged learners.

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At Y and H, we aim to improve access and participation and outcomes for people with low skills by providing a comfortable, non-institutional setting and flexible methods of learning in the delivery of vocational education. We are community based, not for profit and aim to be responsive to the needs of our community and to take into account the skill needs of the local economy.

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Over the years, there has been much debate about access and equity in terms of accessing life-long learning and vocational training. Like many small rural RTOs, we continually face the issue of thin markets due to the geographic dispersion of students. Before, there was that comment about winners and losers and often rural students are the losers because they don't have fair access to learning opportunities.

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Whilst we are exploring a range of blended delivery models to accommodate students across our LGA, and we have just recently got some funding to do that, we feel strongly that there is a need to consider an alternative funding model for some of these smaller organisations. Smaller RTOs don't have the economies of scale that larger organisations have, nor do they traditionally have significantly accumulated reserves to adapt to a changing funding environment. However, they also have to meet the same accountability and quality requirements as larger providers, and some of those issues were mentioned before.

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The ACE sector needs to be supported so that its capacity to continue to make an important contribution to VET does not become precarious. So we are asking that consideration be given to the provision of a guaranteed base level of funding for community based providers, to support them in meeting local vocational training needs. I noted before the comments about targeted interventions and incentive payments, but they don't give small organisations

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any security and they are very much at the whim of political attitudes of the time.

5 I would like to note that we appreciate the merits of a demand-driven contestable model. However, our organisation would argue that if you can't meet local demand due to thin markets, then your rural learners are significantly disadvantaged and we need to look at some way to ensure future access to quality training.

10 The other issue I would like to briefly mention is the issue of the weighted training hour funding and a slightly different tack to what was before. It has been expressed that many in this sector were disappointed at the recent implementation of changes, despite the fact that the review is still in process, and without consultation as to the impact such reductions in weightings will  
15 have, particularly for smaller RTOs.

I know that one organisation in our region estimates they will have a 27 per cent reduction in income to deliver in 2012; however, their costs aren't going to reduce by 27 per cent. So how do you make up that gap?

20 The other issue with the weighting system is one which I raised in my initial submission to the review, and I don't see anywhere where it has been addressed, and that's the example of where you have the same units that can be delivered in two different certificates and they are weighted at a different rate.

25 The example I gave was certificate III in aged care and certificate III in home and community care. There are 11 common units, in one course they're weighted at 1.1, in the other they are weighted at 0.8. We can't see any logic as to why the funding rate for the units differs according to which course the  
30 student is enrolled in, because the costs for delivery are exactly the same.

Some fairly sparse points, I suppose, but I am a member of the Hume Region Continuous Improvement Group. We had a meeting last week and there were a number of issues that were raised by our members that I would just like to note,  
35 and I will probably try and put something online to flesh them out a bit more.

DR VEENKER: Thank you, that would be helpful.

40 MS KELLY: Some of these have already been mentioned, but because I have been asked to do this: quality is a key issue that has not been addressed and the comment was that the removal of the minimum fee for accredited training opens the door for the private providers to have a race to the bottom in terms of quality.

As noted before, there needs to be a much better system of monitoring and regulating quality. Anyone can tick all the boxes off, but that doesn't mean that you are delivering a quality product. Even the fact that a student passes doesn't necessarily mean that you have delivered quality training, and I have seen lots of examples of people who have undertaken training, gone to the workplace and they're totally incompetent. Yet every little bit of regulatory function will have been met.

PROF BURKE: That issue has been raised before. If people can actually document that, it would be helpful because lots of us have anecdotes, it's important.

MS KELLY: It's probably difficult to find people that want to be quoted. However, I'll take that in mind.

The other question that was asked is why are concessions for diploma and advanced diplomas still only available for TAFE students. There has already been enough discussion on the fact that we're not happy with reduction in weightings with no consultation.

There were also some comments around the eligibility criteria. Our members felt that there was a need to drop the eligibility criteria for certificates I and II. We also felt in relation to recommendations 4.9 and 4.10 that the highest qualification held should meet currency tests that you apply when you are doing RPL and that any qualification that is more than seven years is outdated. In lots of area, that time frame probably needs to be even shorter, particularly in areas of technology and where various industries are changing at a rapid rate.

In regard to recommendations 4.11 to 4.15, we felt that exemptions should take into account local identified skills shortages. We supported the recommendation to have the exemptions allocated directly to the student, but felt there needed to be an increase for community providers in the ACE sector and that exemptions should be based on the number of places rather than the value, as different courses have different prices.

Recommendation 5.7: concern was expressed about competing on price and we need to consider the quality of training provided and the learning environment that is provided.

Recommendation 6.8, and I have already mentioned this, but this is from the (indistinct) group, the issue of thin markets should be addressed, prominent in rural and regional areas. Geographic dispersion results in lack of access due to travel constraints. This has an impact on local skills shortages as well as state

and national.

We would also like clarification about the incentive payments mentioned in recommendation 7.5. Those demand side interventions that are mentioned in recommendation 7.5 need to take into account local skills shortages, not just the big picture state and national ones. Thank you.

PROF BURKE: Michael Lacey is not here, we were expecting one from him, so we will now hear from Tony Pammer.

MR PAMMER: I represent the outdoor education sector and I might just briefly explain what that is, because most people will have never heard of it. I'm actually an employer and I represent five journey based providers in the Australian Camps Association. We have about 182 million turnover and service about 560,000 students, but our colleagues in the volunteer sector of our group, if you like, of outdoor education, would also service about 400,000 students. So it's about a million students, and by that I am talking about scouts, guides, clubs, church groups, youth groups, et cetera.

Outdoor education is essentially a process of learning about self, others and the natural world and the interconnection between those three. Some call it team building, some call it environmental education, some call it personal development, but fundamentally it is collecting those three together in a natural environment.

Briefly speaking, in our sector we have had a loss of funding for training, we have had a loss of providers and we have had a loss of quality, and each of these three tropics have been touched on. My organisation, for example, worked with Swinburne TAFE for 15 years, providing certificate IVs and diplomas in outdoor recreation, and because of the downward pressure on funding, they, along with Cairns TAFE - and I might remark that our market is highly mobile, someone will work for rafting in winter in Victoria and they will go up and work on the Tully for summer and then zip across to Perth - so we work really around the country.

Both of these TAFEs have recently got out of outdoor recreation, although Cairns have limped back into it, and essentially that is because it is too costly. If you take a group out white water rafting, you might be supervising at about one to six and we are currently funded at the same rate as an administrative certificate, and I think that the costs of delivery are probably a bit different.

Essentially, the impact on top of all those things that have been happening over five years for us is we, in the outdoor rec sector, have just had our weighting dropped 27 per cent and for the big TAFE providers, like Holmesglen, that will

eventually be much higher.

5 With the eligibility change at the beginning of the year, we have lost 30 to 50 per cent of our students. I've got 60 kids from Corowa Girls School in Glen Iris, they started today in Wangaratta and in a month's time they will finish at 90 Mile Beach, and they will go over The Crosscut Saw and down the Wonnangatta Valley. If your daughter was in year 9 at Corowa, I'm tipping that you wouldn't want a 19-year-old leading them, you would want someone who has had a few years of life experience.

10 Inevitably, they've got a higher level qualification. So people that we want to see leading our kids in the bush, and remember most group leaders go out in the bush and they're on their own with a group of 14 adolescents for a week, so they need to be pretty mature. In this day and age, we're seeing new 15 behaviours amongst adolescents, including self-harm, knifing around fires, and that sort of stuff. So you need to have a few years on your old life experience belt to be a competent educator in that setting, where sometimes if there's an evacuation, a medivac, it's in a chopper.

20 It has really hit us hard, the eligibility, and the exemptions that were set out there, we would really support. I should probably remark that my comments here are partly to the Essential Services Commission report, partly to the ASQA, partly to Skills Vic and obviously partly to government, who have jumped in with some changes here.

25 In terms of mentioning Skills Vic, the nominal hours in our section, we deliver cert IVs at 1200 hours and they have just dropped in the new training package for next year to 800 hours, and that probably leads me to the quality part, which has already been touched on. I can give you hard examples and I will 30 talk names.

In our sector, and again if you would cast your mind to one of my staff leading a group of 11 or 12 Corowa girls over The Crosscut Saw and rafting down the Mitchell River, they would have a diploma of outdoor recreation which 35 currently takes 1800 hours for the quality providers. Some of the large TAFEs will do that in half that time and now, if you will, you can also get that online and do three weekends practical through a company in Sydney. I'm gobsmacked. I know that's not in the remit of this report, but it is a really major problem.

40 I have been in this game for 30 years and I have only employed two graduates from Holmesglen TAFE. They do a good course, but the quality is simply not there for an employer who has such risk management issues. So it is a really major issue to see nominal hours being cut, and I have a lot of sympathy with

what Paul is talking about, with a sector like this, that the large TAFEs like Swinburne used to cross-subsidise our course and when the pressure got too much, they dumped that.

5 If that goes, in a sector like mine, which is highly invisible and highly disorganised, the scouts talk with a different voice to what I do and then we've got people in schools and they have a different voice again. So we're not very good at representing the impact on our training.

10 Just to summarise: for us, we are talking 27 per cent drop in weighting, 50 per cent drop in eligible places, 38 per cent in nominal hours and the quality is going down hill. So it's going to be a tough year next year, and I didn't mention that we've got 30 per cent increase in participation. We are seeing more and more parents wanting their kids to participate in outdoor education and learn more about self, others and the natural world. So it's going to be a  
15 tough gig, with 30 per cent more kids and those three or four areas.

I recognise a lot of that is not in the ESC report and actually when I read the first two layers, I was quite excited. So it's a bit gobsmacking to then come  
20 across Skills Victoria and the government's response to that, because you talk about adjusting costs to appropriate course delivery and I thought, hallelujah, after 15 years we're going to see an appropriate funding of an area like ours, and then, "Hang on, outdoor recreation has gone from 1.1 to 0.8 weighting." Thank you.

25 PROF BURKE: You clarified the different groups that you were talking to. Just to say that Peter and I are not connected with the Essential Services Commission, just to make that distinction. They have done the report and the government has decided that the process will be an independent panel will  
30 come in and hear the reactions to it. So the government has had the ESC report.

DR VEENKER: So we're at arms length.

35 PROF BURKE: Yes. The usual way of doing it, as Linda said earlier, is to put out a draft report, get comments and then produce a final. But in this case, somewhat unusually, the report has come in and then they have said, "Okay, we'll get feedback, but we will let an independent group, who are just hired for this couple of months, to hear this and write that up and pass that to the  
40 minister." It is important to establish the process.

DR VEENKER: Are there any comments, first, about some of the verbal submissions that we have heard today? We have, of course, made notes about those. Are there any other comments that you would like to make to further

support those or to question those or discuss some of those matters?

5 MR CULPAN: I would support that. It's pretty obvious and it was picked up in the report around quality, and I think it was taken in the session that we had with you as CEOs, around the issue of quality and I think that's been highlighted very clearly and I hope there is some substantive evidence to confirm that.

10 My point is really coming from a regional TAFE institute. Quite frankly, I actually don't understand how metropolitan TAFEs really operate. I come from a business industry background, but I have to say even though it's very easy to put us all in the same bucket, because that's the convenient way of managing TAFE institutes, it really is quite different when I try and unpack the realities that we have as compared to when you've got literally hundreds and  
15 hundreds of private providers in a metropolitan market where you have these potential options for students.

20 We are in a really interesting situation. How I would describe how our organisation actually operates: I'm putting a filter around our organisation based on reading the report quite intensively, an economic filter is probably the best way to describe it. Metaphorically, I think we're a bit like Robin Hood: we steel from the rich and we give to the poor.

25 DR VEENKER: Within the institute, you mean, cross-subsidising?

MR CULPAN: Yes, big time, significantly. The organisation is driven around an ideological social justice paradigm, as East Gippsland would have been when you were there. So what has happened over time, and you could say GOTAFE is a consolidation of a technical college in Shepparton and  
30 Wangaratta and has built and built, we've now got 15 locations, we cover 18 to 19 per cent of Victoria in regional areas, we are the dominant dairy education provider for Victoria as well as nationally.

35 A lot of that in some respects was driven from the social justice positioning, which was about a belief that there needed to be something that needed to be fixed. There was a benevolence, a social justice benevolence, within TAFE and the funding actually supported that, to actually be able to have the capacity on the ground to access resources, to invest in the development of these key public good areas.

40 The challenge that I am now dealing with, and obviously the changes in the last week have just pushed it to a more intense level, as we review our budget for 2012, is if I put an economic lens across how we operate, it really puts quite a lot of activities and even quite a number of campuses at serious risk because if

I think like a private provider and through an economic lens, you look at effectively how you maximise your return, how do you leverage your assets to the maximum value, how do you protect your intellectual property - all those kinds of things.

5

I made the comment previously about agriculture. I could make the comment about outdoor rec, there's a whole raft of areas, schools in particular, that if I just take that economic model and draw a line and work on a 25 per cent margin perspective and all that, those would be removed from the community or from what is currently being seen as the public provider provision. I go to the reference in the report that is vague about what the public provider does.

DR VEENKER: We would like to see more comment.

15 MR CULPAN: That is probably where I'm saying to you guys, and I have met and have a fairly good relationship with Minister Hall, so we speak about, especially from a regional background, that there needs to be as much energy that has gone into how you can engineer the economics around marketisation of the system, there needs to be just as much energy as around how do you  
20 define - talking to Skills Victoria here as well - how do you define what is that thing called a community obligation, but I reckon it's not as passive as that word describes.

How do you define what that is, and it will be different in different areas, but  
25 I can honestly say we know that we're close to losing over a million dollars in our schools area, where we underwrite 140 schools in this region, with the VET schools. We lose money in some of our dairy programs and our agriculture programs, that's why I came up with the analogy of we are like the social justice Robin Hood organisation that, frankly, has never been run around  
30 a commercial model, but what it has done is it has leveraged, through the previous leadership, one can say if you are a treasury and finance official, maybe the financial surplus, I don't know, that money that seems to be existing in TAFE coffers, that clearly was seen to be maybe inappropriate.

35 But that was actually a really powerful resource for the local community that was used to invest in community development and infrastructure. Now I'm in a position where, with the implementation of demand funding and the consequences of the need to cash flow my staff for four months at the beginning of the year effectively, by the time we get paid, which means I'm in  
40 a situation that I haven't got that capacity, that benevolence capacity, to invest in those things that I used to do and it really starts to question how - in some respects, I know what the minister wants us to maintain because I've got a dialogue meeting on Tuesday and I have got the letter that he sent to me and the 15 policy statements that I have had to respond to, which is all about social

equity in a lot of respects, and there's a few things around higher education.

It's kind of how do we balance all that and my point is that that word "vagueness" around public provider I just say must be resolved because the response from the consultant relating to my comment about how do you support those skills shortage areas, she used the term market failure, and I have kind of become a little bit of a pessimist and I go, "Maybe we do need to pull out of some of these campuses and close down some of our courses and, frankly, let it go to the front pages of the media and have the community give up, for the data to be produced to do something."

In some respects, I kind of go if I'm sitting in Spring Street or Treasury Place, who has never been here, and I am just looking at how much money is going to the TAFE, and we have a performance agreement at the moment, you go, "Why should they get more money?" I've got some information from the Australian Industry Group that tells me that private providers are providing better value than TAFE, all that kind of stuff, and I'm kind of going what is the mechanism to potentially stop a train wreck that is going to potentially occur if you allow this sort of ideological view, which I think is actually genuine. I don't think there's people, when I talk to them directly, want to be the bad person, but potentially it is going to occur.

So that's kind of what I'm really just saying to you. I probably use the principle there needs to be as much energy in the marketisation understanding and how we do that work to actually the definition of what the public provider does. I probably would also say, and this is also the point of being balanced, I have been in this role for two and a half to three years and I had been in the role in the organisation for five years before that, but before that I was in multinational companies and marketing, so I really do you understand both sides.

There is room for improvement. There are some private providers who have very high quality programs and deliver at a lower cost. I do actually think they need to be more responsive and to understand there is definitely room for improvement. So I'm not saying we should be protected, and I challenge my colleagues in TAFEs about stop trying to protect yourselves, understand the 21st Century student.

But where I am coming from, I just think there's a real potential risk that is occurring, as Premier and Cabinet and Treasury and Finance try to squeeze some efficiencies out, that you are actually going to lose that public good value that is already existing that isn't actually being recognised.

DR VEENKER: I understand what you say, Paul. Just a follow-up: would you like to comment on regional development capacity building as far as skill

needs are concerned, particularly as far as regional development plans go and some of the emerging industries and some of the declining industries, and how as a TAFE provider you are able to contribute so that you're ready to respond to some of those changes that are being predicted?

5

MR CULPAN: I have been in roles that have actually been involved with food manufacturing and things like that, and this is kind of where the financial capacity thing comes in.

10 The industry, from my experience and also dealing with them, especially when you're dealing with downturns, dealing with the recession and all the changes, are ultimately very short-term in their thinking when it comes to training and often make short-term decisions, "We're going to cut training, we're going to put on training. Yes, we need to do something."

15 Therefore, as the training organisation, and this is where the previous funding model was actually - and I valued when we entered demand for funding and appreciated it at the time - was it allowed you the capacity to cash flow staff to be available to meet that need. That's kind of where the crunch really came in this year, when it started to become really apparent that I was cash flowing a whole raft of staff who actually hadn't delivered student contact hours, which we hadn't been funded for yet, but we knew - eg Kraft, Murray Goulburn or  
20 whatever - were wanting a program to be developed.

We are working with the water industry at the moment here in Shepparton.  
25 Everybody says there needs to be improved training, but right now it's clear that even the water industry is so complex, they don't really know exactly what they need, even though there's a view that they need to have greater education, formal education capacity built in and all that sort of stuff.

30 In some respects, a lot of it in actual fact is embedding yourself with that industry, working through the issues and identifying what are the things where training fundamentally can actually make a difference, as compared with other things that they need to do. That's kind of probably in response to your question, training can only do much so much and I think there's an element  
35 there. I think there's an element of working with those industries, like we're doing with the dairy industry, like we're trying to do with water, we're trying to do a whole raft of things. At the end of the day, there are some, I call, structural adjustments that need to occur.

40 I have been in a number of presentations with the guys from SPC, Coca-Cola, what they have identified is that can is just not relevant any more. They need to fundamentally rethink how they can deliver their product, a quality fruit product in a Mars Bar model. That is actually an innovation issue, not a training issue, but then they have an issue around, "Okay, how do I get a

workforce that can support that innovation, which is actually different skills."

In some respects, I see the answer to your question is one that really it is working very, very closely with industry, and in some respects industry  
5 needing to be able to work collaboratively with education providers as well and actually sort of get the value of that.

DR VEENKER: I was trying to get a gauge on your capacity to do that.

10 MR CULPAN: Capacity is limited. It's a challenging one because you are always consciously aware that your financial situation is limited and especially now with the cash flow situation we're dealing with, it really is starting to question - like water would be one I will hang in there, but in some of the other industries, if you just don't see potentially those student contact hours being  
15 delivered, it's just not worth it, you just don't go there because it is not economically justified.

DR VEENKER: Any other comments from the people who have presented, or we can pick up some of their points as well?

20 MR PAMMER: To pick up on that last point, I feel that the training gain, if I can call it, is so complex it's really difficult for employers to understand it. So I think in terms of that responsiveness that you two were just talking about, it would be interesting to look at how employers can actually understand the structure of training to better work with it because I got a sense from what you  
25 were saying, Paul, and I see it in my own sector, that the employers can't just go, "Look, you deal with it," to a training provider, it's too hard for them to understand hours and packages and so forth. I think that is a shame because the responsiveness comes from employers actually getting it, but it's almost  
30 like it is growing apart rather than together.

DR VEENKER: At this point in time, it might be appropriate if we take some general comments on the ESC volumes 1 and 2, and then perhaps drill down and pick up any recommendations you particularly want to touch on or some  
35 themes that have come up, like eligibility, transparency, that sort of thing. In the first instance, could we invite some general reactions in terms of the overall report.

40 MS DOIG: Helen Doig, from Hume Regional Council and I am currently the chair. One of our big concerns is around quality of training and delivery that will come out of the new reform. I'm probably talking from two perspectives, one as an employer, when I was working, in paying people that had done packages with RTOs, that didn't have the desirable skills but they had the piece of paper.

DR VEENKER: So they weren't job-ready?

MS DOIG: They were nowhere near job-ready.

5

DR VEENKER: As you thought they would have been.

MS DOIG: Yes. You have an expectation, when someone has got a cert or a diploma, to have a reasonable level of skill and you get very disappointed when they don't have the skill and then you've got to ask yourself the question: do you as an employer have the resources to put in to training up that person to make them really job-ready. So quality training is going to be a really big issue for us in a regional context.

15 DR VEENKER: Thank you.

MR BEWLEY: I would like to make a comment on a job-ready graduate, and I guess this isn't part of the ESC report, but in relation to - - -

20 DR VEENKER: But it's related and it has come up a few times.

MR BEWLEY: It definitely links and I guess that's where we talk about nominal hours attached to a training package. We, as an industry, fought really hard to get a realistic training package developed for outdoor recreation and linking to that was the purchasing guide and the nominal hours attached to that.

To get a job-ready graduate, we need the time to actually develop the skills in our students, and I feel that the process that we went through was the proper process as an industry through curriculum maintenance managers with Skills Victoria. But I feel as though now we haven't been given the opportunity, through realistically lowering the nominal hours per qualification, to be able to deliver what we need to deliver for a job-ready graduate.

DR VEENKER: That picks up on the point that was made earlier.

35

MR BEWLEY: Exactly.

DR VEENKER: Any other comments of a general nature about the report first?

40

MR BARCLAY: I would probably just add into the question about the nominal hours and the statement there, one of our observations is that I think a lot of people forget where the nominal hours come from, and that's actually a statement about what a normal person would require to absorb, retain and

transform that knowledge in them so that they are a job-ready person. Unfortunately, what has happened is that the nominal hours get converted into a purchasing guide which equals dollars. So what happens within a lot of delivery at the moment is that business models are actually being applied.

5

One of the areas that the Essential Services Commission asked for comment on was a student-centred focus. What we argued in our submission was that what you do is you assess the student's ability to undertake studies in a particular way and you slot them into that program. But at the moment, what we have is programs designed around the available resources and then students are slotted in there.

We have some examples we are happy to send through where students who may have lower level literacy and numerary issues are plugged into a program where they are actually given study packs and reading guides, and the trainee provider argues that equals 30 hours worth of contact with a teacher so we can actually claim those 30 hours as teaching time.

So what might be a 100-hour program, the student may actually only get to see the teacher for 20 hours and the other 80 are made up of some homework packs and some study guides, and the RTO is actually able to tick off and say, "We have delivered the full student contact hour complement, please give us the nominal hour payment."

So that is the problem that we see with a market based model. When you are pushed for costs, the most expensive cost is the cost of labour, the cost of the teacher. That's the bit that we are losing out of the system. So students are actually getting less and less contact time with the teacher and the assumption is that they will do the learning, they will do the knowledge development, they will do the skill development through some sort of abstract text based delivery.

I am not saying that there aren't good examples of distance learning flexible packages, but they are at the margins, they're the exceptions. Given that most people are driving a business model around it, it is on about how do you reduce the unit cost. The redundancies that I mentioned earlier, that the system is flagging already, they're around how do we actually accommodate the reduced income that we will get to run the programs next year.

Not only will they shed staff, they will actually move to increase the number of students that they have per class and they will further shave hours off the amount of contact time with the teacher. Because the weighting has shifted, they need more volume, they need more churn, to actually get the same volume of money in to sustain the same level of activity.

We know we will see larger class sizes, we know that we will see more shaved delivery happen as a consequence of the cuts that were announced last week. It's just the way the business models have to work in the education and training environment at the moment.

5

PROF BURKE: You are referring to the public provider now?

MR BARCLAY: Yes, absolutely.

10 PROF BURKE: Because they are the ones that you know about?

MR BARCLAY: Yes.

15 DR VEENKER: Perhaps if we move to some themes. One of the areas that was touched on in the presentation earlier by the ESC was the suggestion about greater transparency in terms of information available to students to make more informed decisions about their futures and their training. Is there overall support for that and, if so, what sort of information in particular? Please, comments.

20

MR BARCLAY: One of the metaphors I use is that in education and training, it's not like buying a car. You don't go in and do a program because in order to make a good assessment about is this provider better than that provider, you have to do both programs, you have to do both courses and know what is happening.

25

With student satisfaction surveys that we do at the moment, we're getting a statement about subjectively how did that student feel about the program they were involved with. I think some of the evaluation models that come out of America at the moment use what is called a Kirkpatrick model, so they actually go and look at the outcomes three, six, nine months down the track in terms of: was that training, was that education, effective in terms of their increased performance in the workplace.

30

35 All we're doing is getting very subjective assessments: did they like that course of study that they did. There's no longitudinal look at what was the value of that training that that person undertook. Sure, let's let the students know how many hours they're going to get, how much they're going to pay for it, what students thought about the facilities and their learning experience in the year before, but that is not actually enough for us to make a statement about: is this good quality training and education.

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The AQTF standards, that AQSA are meant to look at, they don't measure teaching and learning. There is no point where we actually assess the integrity

and the quality of the teaching and learning experience. We just measure outcomes and we actually compare them against the COAG targets because COAG make the assumption that higher level qualifications equal better economic development.

5

My belief is that everyone is actually looking at the COAG targets and what we have now is a system where we attach a bounty to a qualification and people are just churning out qualifications because the bounties attach to the qualification. Our members are incredibly concerned about the integrity of the system because people forget that not only are they teachers and they're passionate about their teaching, but they are actually passionate about their vocations and the professions from whence they came, and they are articulating concerns about the deskilling of the professions that they have often spent 20 or 30 years in and they're noticing that they do not have that capacity to pass on that type of information to the new generation of workers in those vocations and professions.

That is the concern that our members are talking about. Sadly, when teachers talk about the quality of the system, most people hear that as that's a whinge about conditions and wages and they forget that there are two voices there and one is about their true genuine commitment to the vocations as from whence they came.

PROF BURKE: There is a recommendation in there about increased transparency in relation to quality. You have given us a good deal of information around that issue. If you are putting in a submission on that, it would be good to have the detail on what you are talking about, the US evaluation, longer term, things of that sort.

MR BARCLAY: We will, yes.

PROF BURKE: What has come up in previous discussions has been some wariness that there will be extra information, but it won't have full information about the context of the students and so on, the sort of thing that also happened with the My Schools web site, that sort of thing. So it is good to have some richness around what that information might comprise, if a recommendation like that is to be taken further.

MR BARCLAY: Yes, we will put that through.

MR PAMMER: I would speak for and against transparency. I think as an employer, we're really interested to see more about courses. We are really at the stage, when we take a graduate from the TAFE that we don't know, that we will have to skills test them for a couple of days.

On the flipside of it, as someone who deals with about 300 secondary schools, the reality is I think it's really difficult to be adequately transparent and I am worried about the cost impost that might put on training providers and we might end sort of just going round in circles.

I would make that remark in the context that the 15 years that I worked with Swinburne and we went through four reviews of their course - I don't know whether the organisation is still around, called Otti - the amount of time, excuse me for being crude, that was pissed up against the wall in these kinds of reviews for no benefit to the student that I could ascertain, I'd really put a question. So I'm a high supporter of transparency but at what cost does it come and what time do we spend having the TAFEs just jumping hoops and don't tell the student or the employer anything else.

DR VEENKER: I suppose there's an issue about being able to navigate and the information you need to be able to do that and to make a good choice. But also can I read into your comments that you don't mind transparency and information flow out there for students, as long as there's consultation so that it is appreciated there is a cost involved about that so that the actual information that is being sought is of value and is not wasted and is not putting an undue burden on the provider.

MR PAMMER: Absolutely, and I would reinforce that last little bit by saying if we're going to put the burden on the provider, let's really be clear about the process and that for minimum effort we get maximum benefit. Does that make sense, because I think a lot of it is quite bureaucratic.

DR VEENKER: Yes, that makes sense. Does anyone else want to comment on that, the area of transparency? What about the high-needs student or higher needs that some students have that was briefly referred to in the earlier report? Any particular comments about how that was treated? Suggestions? Support?

MS DOIG: Helen from Hume again. I'm really concerned about our high-needs learners, one, the impact of quality but around meeting their needs and particularly with some of the other reforms that we're seeing at a federal level and the changing demograph of students, particularly into ACE organisations and TAFEs and other RTOs. When they're coming from diverse, disadvantaged and complex backgrounds they are going to have significant learning needs. So teaching staff and organisations are going to have to be really, really well resourced to actually manage those students with complex learning needs to enable them to get through and attain qualifications.

So that is a really big concern for me personally and some of our providers is

how are they going to be able to financially afford the resources to provide that level of quality and skilled training or trainers to manage those cohorts.

5 PROF BURKE: If you're going to put in a submission on this, as I was suggesting earlier, have a look at the detailed support for the recommendations in the reports. The other thing I was just saying, since we've been talking about this quite a while, as I understand it the current weightings it's a 1.3 weighting for young people who haven't got VCE in the VET sector, it's 1.5 for people of indigenous background or Corrections and 1.1 for Auslan but that's it, as I  
10 understand the way things are. So it might be worthwhile for you to also identify, if you can, issues that - - -

MS DOIG: (indistinct)

15 PROF BURKE: I think that's going to be part of the issue if this is taken forward by the cost review group. Clearly, they're going to have to do that, but it's taking further your concern and endorsement of the need for a cost review in that area.

20 MS KELLY: I would just make a further comment here that for a small RTO, you don't have the luxury of being able to afford any specialist staff and the way that we meet that need has been to source volunteers to undertake some of the specialist support work that is needed, and that is a very unfair expectation on a community based provider.

25 PROF BURKE: Again, it would be good if you would document that, too, by just - - -

MS DOIG: By Sunday?

30 PROF BURKE: No, do it this afternoon, don't wait until Sunday.

DR VEENKER: What about the eligibility criteria and the references that are made to that in the report?

35 PROF BURKE: Particularly the VCE and VCAL to be not taken into account and possibly seven or 14 years, but some recognition of aging of previous qualifications.

40 MS DOIG: I'm going to have another dig at this one. We had a lot of discussion about this, particularly with changing requirements in the industry these days. Quite often, a lot of us might have got a qualification four years ago, but because of industry standards and changes and it might only be one module that people need to go and attain, but for a lot of people that are

employed in particularly factory jobs, the welfare sector, those sort of jobs where they are traditionally low paid, there is no incentive for them to go and access training to enhance themselves on a career pathway.

5 I know some of the local industries are really struggling to try and keep up with providing training needs for individuals to continually upskill them within their business model. So we really need to strongly consider if there are special circumstances around a need for someone to be upskilled, even though they have only got a cert IV and they only got it two years ago, there should be  
10 some capacity for people to upskill on either particular models or to move them to a higher level qual where it is equitable, so they are not forced out because they can't afford it, or small business can't afford to send their employees off to do it.

15 MS NEWNHAM: Hi, I'm Gayle Newnham from CVGT. We're a Job Services Australia provider, group training company, Australian Apprenticeship Centre and we have a small RTO. With reference to exemptions, one of the challenges we found this year is that, as an RTO, we were allocated one place - which is extremely generous and we appreciated it, I  
20 appreciate that.

DR VEENKER: How did you manage that? Sorry.

MS NEWNHAM: It was like a raffle. But because we deal primarily with job  
25 seekers, they are our cohort for training and we would often find job seekers who had had previous training but still were not employable. Our challenge was then to find our job seekers an exemption at an RTO that was delivering the course they had, and that was extremely challenging and it did mean, in a lot of cases, that our job seekers missed out on traineeships, apprenticeships  
30 and employment opportunities, that they were there and they were the right people for it.

That is really difficult for our JSA to deal with and it presented a whole heap of challenges that they didn't understand how to deal with. So as an RTO, we  
35 were supporting them, even though we wouldn't get the end benefit of the training. We really welcome the things that are being talked about, particularly the (indistinct) allocation rather than a number allocation, that will make a lot of difference.

40 PROF BURKE: If you can provide some detail about the JSA problem, it would be helpful.

MR WHITEHEAD: I'm David Whitehead, from Wodonga Senior Secondary College. We have about 850 students enrolled, but next year we will have

930 enrolments in VET. We do a range of cert 1, cert II and cert III and I think it's incredibly important that we do get exemption for a lot of these students because they really don't know what they want to do. They're doing it for interest sake rather than for a career path. So they're moving throughout school, they're doing it in year 10, year 11, year 12. To limit them to say, "You've had your crack at it, sorry, you can't go back and do something that is equivalent or at a lower level," I think would be very short-sighted.

PROF BURKE: At the moment, they are exempt while they are up to 19, aren't they? Is that correct at the moment? 20?

MR WHITEHEAD: So there would be very few of ours that do that.

PROF BURKE: If you were going to make a comment, you could suggest if that recommendation of VCE and VCAL is taken up, you could make it all school acquired qualifications as part of the VCE or VCAL certificates. That might be a way of interpreting that.

MR GRIFFIN: Gordon Griffin, education training adviser with Rural Schools Australia. The issue of VCE and VCAL qualifications coming out and then being eligible for other programs is a real concern because in agriculture, a certificate II is the first year of our apprenticeship, basically. So if kids are coming out of VCE with a certificate II in hospitality or something like that then want to get into agriculture, they're not going to be able to do it because they've got that cert II in their pocket, it's ridiculous.

If we have to have an ineligibility to do a cert II as a traineeship in agriculture, it should be also put on to the first year of the apprenticeship in a trades area. It is the same qualification, it's the same standard. You can go and do a trade and start in year 1. If you go and do agriculture, you start in cert II.

People coming back into the industry, the tree changers and the people moving sectors need those basic core skills at cert II. If they've got a diploma in their pocket, they're not going to get it. In five or 10 or 15 years, if you are moving industries, you need to be able to go and pick up those base core skills. For us, it is a cert II, it's the first year of our apprenticeship. That has to be considered.

PROF BURKE: Again, if you get a chance, I know there isn't much time, if you could put that online, it would be helpful.

There's quite a number of other things, because I think it has been very helpful what we have heard today, but we haven't got through them all one by one, of course, and there is a question about the fees. I think somebody has raised the issue of the minimum fee being removed already, if anyone wanted to

comment further about that.

5 The category fees have been removed already and the annual fee. The minimum fee has been removed for the hourly, of course the maximum has been maintained. That's a current government decision, but that one is in distinctly in line, exactly in line, with what is recommended by the ESC. So comment on both of them, if you want to make any further comment about that. Again, if you're doing something online, you might like to put something into that.

10

The concessions: one thing that Linda put forward was that at the moment, if you're doing a cert III, the minimum fee is \$187.50. That is also the concession fee, if you've got a health card, et cetera. That has been retained at that level for next year in the current decisions. The recommendation of the ESC is that, in future, concessions should shift to not a set fee like that, but be a percentage of the fees that would be applicable to the total hours of training that you did during the year.

20 They give an example in volume 2 of what those fees would be if you were paying 50 per cent, but then Linda said maybe it's 70 per cent, 80 per cent, whatever. Some would definitely pay more on that basis; some may pay less, too. I don't know whether people have any reaction to that at this stage or whether there has been time to consider it to any great degree. You might like to have a look at it, I think it's p.85 of volume 2.

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MR CULPAN: I actually understand in some respects and probably support the points that have been made in regard to the independent arbitrator and analyst to have a critical perspective of different segments and to actually see this public good versus private good concept.

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Probably one of the things that I have discovered, this is more from a TAFE perspective, it's very hard to untangle it from recent announcements last week, but in practice, 80 per cent of our apprentices actually get concessions. So even though what would appear in press media isn't a significant impact with regards to changes in the student contact hour for an apprentice, in actual fact 80 per cent of them weren't paying their full fee anyway and we were getting most of that funding from government.

40 So what in practice has occurred is we have actually lost a component of contribution, but can't make it up. I think that's frankly a point that I have discovered as I have tried to work through the machinery of the consequences for my organisation.

On the scenario, from my perspective, because I come from a business

background, I get the point. I look at some of my categories where clearly there is a capacity for a higher price to be charged, but then I look at some other sectors, and I can't go away from the agriculture and dairy sector, where there is a culture of free education where we are scrambling to find ways of cross-subsidising to get students to enrol for the good of that industry.

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So I actually go: maybe that independent arbitrator is the best model. Probably the concern is with regards to the balance of how the recommendations are applied in relation to how the funding is actually directed.

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DR VEENKER: Thanks for raising that, Paul.

PROF BURKE: It's p.89 of volume 2, if you want to see the illustration of a 50 per cent concession fee, but they weren't advocating a 50 per cent fee, they were illustrating what it would be like.

DR VEENKER: Paul, you also raised the independent body. Are there other comments about that, because in the report it does suggest that that be looked at in terms of a benchmark price, as defined in the report itself, and also to declare a market competitive, that type of role? Any comments about that, an independent group doing that? If there's not, it doesn't matter, but I would just be interested if there were any.

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MR GRIFFIN: I think it's valuable, but you still have to take that rural and regional component into it as well. A lot of the stuff you've been talking about, the transparency and those sorts of things, they're great in the city, but in a regional area, the choice is often just TAFE and that's the only one we've got for miles around.

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So that benchmark has got to take into account the fact that in rural and regional areas, you don't have that competitive to do that comparison or set that benchmark that may be based on a situation in the metro area. We tend to get forgotten quite a bit in the rural areas. The whole system is designed around delivery in the metro area, but it seems to forget that in country areas, it is harder to deliver and there is less choice of providers.

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DR VEENKER: Let's talk about thin markets, too. Gerald, do you want to say any more?

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PROF BURKE: No. Do you want to sum up?

DR VEENKER: Thank you for your input today, it has been comprehensive and certainly of great value to Gerald and I. We understand the special

challenges that confront the different providers and we also have an appreciation of regional Victoria and some of the special industry arguments that were so clearly expressed today. So thank you for providing that information.

5

I do hope that if there are some other things that you want to bring to our attention, you take that opportunity. We will be writing up our report. The type of feedback we got today is not inconsistent with what we have heard in other parts of Victoria, in particular regional Victoria, so thank you for that.

10 We hope to finish our particular task by the end of November.

PROF BURKE: I wanted to ask Tony when he was at Swinburne for those 15 years of reviews that he didn't appreciate much, was Peter the director of Swinburne TAFE at that stage?

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DR VEENKER: I don't remember Tony. He's gone, because he did say something about it was a waste of time. It might have been another time. If there are any other comments about the recent changes or points you want to clarify, David is still with us to be able to answer those queries.

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**AT 3.52 PM THE MEETING CONCLUDED**

