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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**

**TRARALGON**

**3.07 PM, TUESDAY, 25 OCTOBER 2011**

**DAY TWO**

**Continued from 25/10/11 at Melbourne**

DR VEENKER: Good afternoon, ladies and gentlemen. A warm welcome to this feedback session which is part of our consultation, and the welcome comes from Gerald and I. We hope that you find this a productive afternoon where we are able to listen to feedback that you have about the report on the VET  
5 funding and fees which the ESC has provided to you.

It's always nice to be in Gippsland and we have had consultations in other parts of Victoria and in Melbourne. I live in Gippsland so it's very convenient for me to be here this afternoon. Basically what we would like to do is structure it  
10 in such a way that the consultation really is in two parts. The first part is that we have some colleagues from the ESC, who Gerald will formally introduce in a moment, who will be providing an overview of the report. In doing that, there's opportunities for you to ask questions if you need some clarification or there are some issues regarding the report that you wish to know a little bit  
15 more about. So that is available at the start of the consultation and that's the first part.

The second part that Gerald and I will be involved in is the actual feedback consultation itself. That will be an opportunity for you to raise issues, look at  
20 the recommendations that are there and you also will be able to perhaps comment on themes and other matters that flow out of that particular report. Our job, the job of Gerald and I, is to seek your feedback and to provide that feedback to the government. So we will be writing a report from the end of November and that is quite independent of Skills Victoria, quite independent of  
25 government. We've been given the task to actually hear your feedback and then provide that.

So we hope that you avail yourself of that opportunity and at the same time as the verbal feedback today, you also have the opportunity to provide  
30 information online and we hope that you take that opportunity up, because you may find that after today's session or re-reading the report, there's something further that you want to bring to our attention and that is a terrific way of being able to do that.

The recent changes that were announced late last week, I know that that's gone  
35 throughout the VET system and we thought that prior to us actually commencing the formal consultation part, Skills Victoria kindly consented to be with us today, and Nick Chiam is here to, at the start, just briefly mention the changes to you and then be available at the end of the session to answer  
40 specific questions regarding those changes. But Gerald and I would like to separate that from the formal consultation that we're involved in regarding this particular report. That is available as well. So at this point, I would like to invite Nick just to say a few words about the announcements that were made last week. Thank you, Nick.

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MR CHIAM: Thanks, Peter. I'll just take a couple of minutes. I thought it would be helpful for those of you who have heard about but have not yet got the details of or are just engaging with the changes that were announced and I'll just take a few minutes to explain those changes, as Peter has already said, to  
5 give you our perspective on the relationship between those changes and the process that's currently going on.

So for those of you who haven't seen the media or seen the communication on the Skills Victoria web site, there are changes that have been announced by  
10 government for VET fees and funding from 1 January 2012. The VET system in 2011 has seen growth of an unprecedented level since the introduction of the entitlement, and the government has chosen to act now to make changes for 2012 prior to its full consideration of the ESC's response.

15 The changes that have been introduced by the government, there are four key changes. One is a reduction in the higher hourly rate paid to TAFEs, but the reduction is specifically to large metro TAFEs. It reduces the difference between that higher rate and the rate paid to non-TAFE providers under skills reform funding by 25 per cent.

20 The second key change is a change to weightings in seven areas where there's been particularly large growth of up to 440 per cent in some cases, and those changes are being applied through weightings that apply, and for those of you who are providers, you will see those weightings in what's commonly known  
25 as the funded course list, but essentially it's industry weightings that apply to delivery in seven specific industry areas.

The other changes that have been made are to remove the annual fee, minimum and maximums, that apply to student fees, so there are essentially two types of  
30 controls. As the ESC report has identified on fees, one is an hourly rate fee; that hourly rate fee remains. However, the annual caps that apply, minimum and maximums, have been removed from 1 January 2012.

The fourth change is actually an announcement of unpublished rates. Those  
35 rates were for apprenticeships. Apprenticeship rates for 2012 have been unpublished and the government has now announced those rates. Those rates bring apprenticeship fees in line with traineeship fees. So the fees that you will see in the revised fee tables which are being communicated to providers, include apprenticeship rates at the same rate as traineeship rates. The other  
40 arrangements for apprenticeships, including the broad exemption from the upskilling requirement in 2012 remain.

The other announcement that has come with the package in addition to the four key changes is an announcement confirming the continuation of the  
45 availability of youth concessions for advanced diploma and diploma as per

2011 for TAFEs only and continuing that in 2012.

They're essentially the key changes that have been announced by the government. As Gerald has alluded to, and as we think is important to say, the government has chosen to act largely consistently with the recommendations made by the ESC but these changes are not the government's response to the ESC report and the government is awaiting the full process including this consultation process on all 43 recommendations and both the short-term and the longer-term reform directions that have been set out by the ESC before it takes its decision for the training system in the next financial year which is starting 2012-13 and that's where the government will look to make its formal response to the consultation process and specifically to the ESC's report. I'm available at the end, so my name is Nick Chiam, and for those of you I've met, I'm available at the end of the session and if you have any questions specifically about the 2012 changes, I'd be happy to take your questions at that time. Thank you.

DR VEENKER: Thank you, Nick. We now formally start the consultation process. Can I say that this is a public meeting and therefore we are recording this meeting and the summary of the meeting will be available to participants. That's important to us, to make sure that you represent your views appropriately. As part of making that work well, we're asking you to go to the microphone so that we can record your question or your comment or whatever, including our responses. It's also requested that you give your name and if you want to, perhaps the sector that you're involved in or are interested in which again will help us clarify our feedback summary of this whole process. So having said that, I'm asking or inviting Gerald to introduce the second part and that is the overview of the ESC report, volume 1 and 2, and introduce our colleagues from the ESC. Gerald.

PROF BURKE: Thanks, Peter. I'm just going to have a 10-minute presentation. Linda Duncan and Angelina Garces have been part of this whole project over the last five months with Ron Ben-David, the chair of the ESC, and Ron was unable to come here today but he has also been presenting it at other forums. Linda is going to do the presentation and they will both be engaged in dealing with any questions that you raise about it. Then we will proceed to the discussion that we will have with you about your reaction to the report. It's mainly for clarification et cetera, not to argue a case with Angelina or Linda today. So, Linda, I'll ask you to go for it.

MS DUNCAN: Good afternoon, everyone. As Peter and Gerald have said, I'm just going to go through a quick overview and then take questions of clarification at the end. I realise that I am going to move through these recommendations fairly quickly. There are quite a number of recommendations and I don't really have time to go into every one of them in

great detail.

5 So, firstly, for those who haven't heard about the Essential Services Commission, we're Victoria's independent economic regulator. Our primary work is in relation to the gas, energy and transport sectors. Through our work in these sectors, we have developed expertise in fee and funding and pricing models and that's the background under which we've been asked to undertake this review.

10 So we were asked to undertake this review about five months ago. It started at the beginning of May and we reported at the end of September to the minister. The background to this review, as you know, is that the previous government introduced reforms in 2008. This ~~uncapped~~ the number of student places and made it demand driven with eligibility criteria determining eligibility. It was also more contestable between public providers and private providers or the TAFEs. So with this as our context, I guess it was looking more at whether the VET market was working and whether the new supply and demand arrangements were the most efficient and whether the funding and fee model supported the government's objectives.

20 As part of our review, we undertook a public consultation process as required by our legislation. This included field visits to a number of training providers and we also heard public forums in Bendigo and Melbourne and we received over 60 submissions. An important thing to point out is that unlike many of the commission's reports, we didn't have time during this review to produce a draft report. Our process is often to release an issues paper, get feedback, produce a draft report and get further feedback before finalising our recommendations for the government. In this review, we just released an issues paper, took our consultation and then provided a final report to the government. Now the government is getting feedback on that report through this expert panel, so that in a sense, it takes away the process that we would normally have done.

35 As I said, the ESC is Victoria's economic regulator and as economists, we look at whether the market is working and what an efficient subsidy and fee level should be and we felt that the efficient funding model was such where the price - and that's the price that a training provider is willing to offer or provide training for - should be equal to the fee that they receive, plus the government subsidy amount. When we talked to stakeholders and looked at this in practice, we found that this was unlikely to be happening in many cases.

40 Partly there are a number of constraints that work to restrict the flexibility of the fees and also the subsidies are based on historical data. We felt there could be better price disclosure. It is unclear in many cases to students what their fees could be, and the training quality is something that there could be improved transparency and information regarding. So we had 43

recommendations and I've grouped them into various categories, which I hope cover the areas that you're most interested in looking at, and I'll just go through each area.

5 Firstly, eligibility, this is the Victorian Training Guarantee, and whilst ideally we might like to say that governments should be able to subsidise all students  
10 who want to undertake VET training, it's ~~the~~ not the reality of the government's budget position and in fact our terms of reference specifically asked us to make recommendations that were prudent in the context of the state budget, so we had to take that into account when making these recommendations.

When we looked at the VTG, we found that some areas of the VTG were perhaps working against the achievement of government objectives and we thought there should be consideration given to revising it in a number of areas  
15 and this included giving students with outdated qualifications ~~and~~ access to some form of subsidy, and we call that a partial subsidy, exactly what percentage of the subsidy that might be, and that's for if they undertook training at the same level. When we said "outdated", we said access to a partial subsidy after seven years and after 15 years, access to a full subsidy.

20 What is more important than whether it's seven years or 15 years to us, what we were putting forward was the general principle of the partial subsidy and I guess whether it's seven or 15 years is something for feedback for the expert panel, but for us, it was the principle that we were putting forward. We also  
25 thought that VCE and VCAL shouldn't be considered when taking into account or determining whether a student was upskilling or not. These are separate, we felt, from the VET system, and should be left separate. Also we felt that apprentices and trainees should be treated consistently with other students and not given any special treatment in regards to their eligibility. The area of  
30 eligibility exemptions is something we heard quite a bit about when we went and spoke to providers and students. We felt that eligibility exemptions are really about helping those students who can't afford to pay full fees and who are seeking to get a government subsidised place. In this sense, it's about income and employment issues more so for the student and we felt that the  
35 Commonwealth, through its role as the Tax Office, Centrelink, Job Services is perhaps better placed to understand these income and employment issues and the needs of students than the Victorian government. So we suggested that the state government might consider talking to the Commonwealth government about how the Commonwealth government could take a greater role in the  
40 administration of the eligibility, to take a more targeted approach to assisting the students that perhaps better meets their needs.

In the short term though, or until those discussions between Commonwealth and state government occur, we felt that allocations perhaps should be  
45 allocated directly by Skills Victoria to students, rather than relying on the

providers to allocate a specified number of eligibility places. However, if the current system continued where providers were asked to allocate exemptions, then we felt that greater guidance could be given to providers on the objectives that were designed to be achieved by the exemptions process.

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Also that exemptions should be allocated to providers twice a year and that allocations be based on a market share of the provider in the previous year, and that exemptions were allocated based on a value, rather than a set number of places. This would increase the flexibility of training providers to give a mix of diploma or cert II, cert III, cert IV courses to suit their particular student cohorts and the students' needs.

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With regard to tuition fees, we said that the minimum and maximum category fees and the annual cap should be removed, but that the maximum hourly rate should continue to operate at least until there is sufficient competition in the market to protect students from any unnecessary price inflation. In some markets that is just not going to occur ever and so there will always, we think, remain a maximum hourly rate for some courses or for some areas.

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As I said at the beginning, for the market to work efficiently they need to understand prices and students need to be able to choose between providers based on a range of things, including the price, and that this would be assisted further if providers were required to publish their prices or student fees, and that's fees for full fee for service students, as well as government subsidised students. In addition, the maximum hourly tuition fee should be indexed annually and by that we mean would automatically increase in line with CPI perhaps, or that it would go up.

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For concessions, again we thought this is really about addressing income issues and the Commonwealth government we think is better placed or best placed to determine these issues and may have a greater role in administering the concession scheme. This should be separate from the fee and funding model. However, until this occurred, we felt that concession fees shouldn't be based on a set fee, a specified fee for given courses. Instead this fee should be calculated as a percentage of the maximum hourly tuition fee.

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That means, for example, that the more hours a student undertook, the higher concession fee would be. So the concession fee would vary with the number of hours that they undertook, whereas now it is a fixed fee. Perhaps you could think about that in terms of a concession student receiving 50 per cent or 75 per cent discount on the full fee rate. Exactly what that percentage is, we didn't comment on. It's just again the principle behind that.

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We thought that providers should be fully reimbursed for the amount of the concessions that they forego when they provide concessions to students, and

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that continuation of concessions should be reconsidered where students can already access VET FEE-HELP to assist their income issues. For VET FEE-HELP, although this is a Commonwealth government program, we suggested the Victorian government consult further with the Commonwealth to  
5 try to improve the flexibility of the VET FEE-HELP system and make it more adapted to the VET situation. Also, that it perhaps could be extended to vocational graduate certificate and graduate diploma courses and to cert IV qualifications.

10 | With regard to funding, as I said before, it's unlikely that that subsidy cost-plus fee is cost reflective because it's based on historical data. So we think a cost and pricing review should be undertaken to better align the funding rates with the actual costs incurred by providers. Then once this is done, that funding rates be indexed annually, again by CPI or a similar index. We said that TAFE  
15 and non-TAFE funding rates should be converged over the four-year period, but in doing this, the government should - or somebody review the governance and funding arrangements for the public providers to determine if there are additional costs that they face. If there are, that these fees should be funded separately to the fee and funding model for VET.

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With regard to thin markets - and this is something we heard when we travelled outside Melbourne and particularly that there could be thin markets with regard to geography, or thin markets with regard to particular niche or specialised courses, and that these should be, we felt, addressed outside the fee and  
25 funding model through direct incentive payments or more targeted assistance to just those courses or locations affected.

With regards to high-need learners, we heard when we spoke to providers and in submissions that providers do incur additional costs to assist high-needs  
30 learners, but there isn't a clear definition of what a high-needs learner is or who they are or what costs are incurred. Certainly, we didn't have the good opportunity or the time and weren't required in these terms of reference to review what the quantum of those costs were. So we recommended that the cost and pricing review that looks at providers' costs include this as a specific  
35 part of that review, to actually determine what the costs are, and then based on those costs, the appropriate means of dealing with them be identified.

This one is a little bit similar, that they're for areas where the market left to its own devices isn't delivering on the government's objectives. For example, not  
40 producing in skill shortages areas or low participation among particular student cohorts, that these be addressed through targeted approaches such as incentive payments to students to get them to enrol.

45 Again, as I said at the start, that efficient market really relies on there being information available to everybody who makes decisions in that market, so

students, employers, industry, government and training providers. This information should include the training being offered and the training being undertaken. That's subsidised and full fee paying students because the training market really consists of both those sectors and to understand the number of skills being produced or the amount of training that is occurring, you need both those aspects of the market.

We felt there could be improved information on training quality and also on career paths, employment prospects and skill shortage areas to help make students make informed choices that are in their best interests. Also that the Victorian Training Guarantee - that there should be or could be improved information to students about what the Victorian Training Guarantee means, and particularly what the consequences are of them undertaking a certain course now, for their eligibility for funding in the future.

Our final area regarded an independent market oversight body and this body would really monitor and provide advice to the government on what's happening the VET market and this would relate to the pricing, the tuition fees that are being charged, the trends in course enrolments, whether there's areas of growth or contraction, and whether the number of providers is expanding or shrinking and this could include by region or metropolitan areas.

Importantly, the market oversight body would not be responsible for setting tuition fees, concessions or subsidy levels. The market oversight body is simply to provide advice to the government, to help inform the government's policy decision-making. So subsidies, fees and concessions are still a matter for government policy and to be determined by the government. So I know that's been pretty quick going through that but if anybody has any questions. Please come to the mike if you have questions, I think.

MR CARROLL: Ian Carroll is my name. I'm involved in the TAFE sector. I'm just interested in the growth of private providers relative to public providers and the possibility of auditing the cost structures of all entrants in that market, if it's significantly skewed to perhaps 1200 private providers and 18 or 20 TAFE dual sector providers, how that information won't become skewed over time.

MS DUNCANGARCES: As Linda pointed out, the commission's background is really in looking at, I guess, pricing and costing issues in a number of different sectors, so energy, water, and so we've developed good frame works, I guess, around how you might do that. So we did give a bit of thought, I think, in terms of how you would try and determine what those costs are, and probably the only way that you could do it would be through a survey-type basis and you'd need to make sure that you were getting the right spread of providers and really understand the mix of costs that they face and the mix of

services that they provide.

5 So if they're quite, I guess, a data-intensive process - and I guess the strength of the outcome for that would really depend on making sure that you had a good methodology in place to ensure that you were collecting information on the right sorts of costs and potentially - I think in the report we talk about doing an initial price and cost review and that would be something that the independent market oversight body would presumably do on a more regular basis, just to keep checking back in to make sure that those costs are still relevant.

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MS EVA: Robyn Eva, GippsTAFE. When you talked about the concessions and you suggested it might be a percentage, would the government be setting that percentage, for example, if you said 50 per cent or 70 per cent? Then also, how will we claim that back? Will that be once the whole course is finished? Will be at the moment the same as when a session is finished?

20 MS DUNCANGARCES: The first part of your question, it would be the government that would be setting the percentage amount. It currently does that in the water and the energy sectors. It specifies the percentage of concession that it's prepared to subsidise up to a maximum amount in those cases and then the water providers and the energy providers are free to set their own prices and then the government just refunds them for the amount equivalent to the concession.

25 In terms of when it would be reimbursed, we didn't get into that level of detail and that would be something, I think, that would need to be worked out between providers and government in terms of how you would actually implement that. I think in the report there is some discussion around improving some of the administration around some of the aspects in terms of reimbursing concessions and from some of the conversations that we had with providers, there seemed to be a level of misunderstanding of what the process was and I think that there's probably definitely scope to improve the administration.

30 MS EVA: Following on from that then, with the concession, one concession for all courses, or depending on, as you were saying about areas of need, would the percentage change?

40 MS DUNCANGARCES: I guess we had considered that the percentage wouldn't change, that it would be one percentage amount, but again, I mean, you could consider whether or not it would make sense. I guess the issue is always - again, are you adding another layer of complexity on top of it and what are the trade-offs between just saying it's the same level of concession, regardless of the type of student or what course they're doing.

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MS BENEDETTI: Tracy Benedetti from GippsTAFE. What was the rationale behind thinking of using Skills Victoria to allocate eligibility exemptions, the main reason for that being when we get eligibility exemptions they tend to be in huge numbers and needing a very quick turnaround?

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MS **DUNCANGARCES**: I guess GippsTAFE is probably one institution where you may have had a lot of exemptions that were allocated to you. We spoke to a number of providers where they were only actually getting one exemption place allocated to them and they were finding it very difficult to allocate that exemption place and to allocate those places consistently. So, yes, we took an approach or a principle around, well, might it make more sense if the entitlement actually sits with a student? Shouldn't the eligibility for an exemption place also sit with a student and if you were going to do that, then it would make sense for Skills Victoria to be the one that was doing that because they may be able to do it on a consistent basis and for the student, I guess, it would be one point of call. They'd know, "Yeah, I've got an exemption. I can take it to whichever institution that I want to."

We also recognise that perhaps administratively that might just be difficult to work because then there would be a big burden placed on Skills Victoria to be able to do that, which is why we then went on say that there are probably other things that you could do that would actually improve the exemptions process. I guess one of the suggestions that we made was around basing it on value, which gives a bit more flexibility to providers because instead of just getting one place, if they get - say it's \$5000 and they might be able to actually offer three exemption places at the cert II or cert III level, rather than just the one at a diploma level.

MR TELLEFSON: Jeff Tellefson, Community College Gippsland. I was just going to comment on recommendation 6.6, just in relation to the funding in arrears be retained. We're finding it's a difficult business model to administer. We don't tend to see any funding until maybe March, April, and this year perhaps a third of our funding is in the first half of the year and two-thirds in the second half and we're finding that quite difficult to manage that financially.

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MS **DUNCANGARCES**: We did hear that feedback from, I guess, mostly small providers. I think the issue for us was trying to figure out whether it was a transitional issue and so whether once providers were able to have systems in place and better able to manage your cash flow, whether that issue would go away or not. I guess also from our point of view, we probably see the cost and pricing review as an good opportunity to better understand how costs kind of vary across the financial year or the educational year, and whether or not there is scope to better match payments to those costs. But on balance, I don't think we had enough evidence to suggest that there was a reason to move away from the funding and arrears model.

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MR TELLEFSON: I suppose just to follow up, in some ways - not that we're a large provider - for a larger provider it can be more difficult because you're probably carrying more sort of liabilities end of the year, given your costs are distributed evenly over the 12 months, so if you don't see any dollars until month four, you're sort of carrying those three months, but perhaps if you didn't hear that from the larger providers, that's not an issue with them. Thank you.

MR CARROLL: Certainly from a larger provider's perspective, the cash flow management is a major issue. The delay has certainly been borne out in this last 12 months. Obviously it's dependent on enrolments and engagement and the data flowing through in a valid sense to Skills Victoria, so there's definitely a major issue there. I'm quite interested actually in the horizon of the idea of CPI or an indexation on the actual funding table, such that we all know our cost of operations are going up in various ways, but certainly with locked-in employment agreements and other general costs of living and energy and various other things that balloon up at times, it just does make the issue quite tricky and I'm sure other people have experienced that difficulty in managing the cash in and the cash out to maintain viability.

I guess just as a comment by the way, obviously the ballooning out of a growth in the competitive forces in the marketplace has also perhaps seen a significant financial amount of funds go to, as I indicated earlier, a very large number of private operators. Subsequently, I think, it appears on face value that the last week's announcement is about a bit of a reassessment of the growth and expansion of that activity up against the budgetary constraints that the government has, so I think we're in for a challenge in a real sense, notwithstanding what you find from your review, so I just make that comment.

MR GRAY: Jeff Gray, Australian Education Union. The recommendation 6.9 about closing the funding gap between TAFE and non-TAFE, what evidence was looked at to make that assessment, where you say in your report, "There is no obvious policy reason for the favourable treatment accorded to public providers." Did you look at such things as wage rates, differentials between private providers and TAFEs and what effect that has on cost differences, and if not, why not?

MS **DUNCANGARCES**: We didn't specifically look at that issue in terms of wage rates and the quantum of costs that the different providers face. One of the reasons for that was that the actual quantum of funding levels and costs were something that was outside our terms of reference. I guess we approached this review as being largely principle based and the principle around - if you're going to have a contestable market where you've got, effectively, providers competing for funding, then you need to try and have a minimum amount of distortion in those funding levels so that people can

respond to those funding levels in an appropriate way.

5 In terms of the policy side of things, I guess what we couldn't find was  
somewhere that specifically set out what the role of a public provider was and  
what the expectations of government are for the role of public providers and  
then how you could translate that into, "Okay, well, these are the additional  
costs that those providers need to incur." So we're not saying that public  
providers shouldn't be compensated for those costs, we're just saying separated  
out from the fee and funding model. The fee and funding model really should  
10 be about funding training. If you're asking your public providers to do things  
that you wouldn't ask a private provider to do, then compensate them for those  
costs separately and that's why we've suggested that there needs to be a review  
of the governance and funding arrangements for public providers.

15 MR GRAY: Just a quick comment. I understand this may be outside your  
brief and the governments take the recommendations and respond to them, but  
when you write something that's closing the gap, I don't think it's being too  
cynical to say the gap will probably close that way rather than that way.

20 MS **DUNCANGARCES**: I mean, we did say close the gap. We didn't specify  
which way that closing would go.

MR TELLEFSON: Jeff Tellefson again, Community College Gippsland. Just  
a follow-up comment, I guess, and question in regard to 6.9. I guess I'll put the  
25 other view, that we are delivering nationally accredited qualifications and I  
guess we all have costs and, to me, maybe closing the gap is worth looking at.  
I think that's quite a worthwhile recommendation and I think our learners are  
quite similar, so I guess our cost structure are going to be very, very similar, so  
I think it's quite a worthwhile recommendation.

30 PROF BURKE: Well, thanks very much, Linda and Angelina. We'll close the  
this bit. Thank you. We'll see you next week. We now move on to the next  
stage of broad-based reaction and then perhaps some themes. Peter, do you  
want to lead off?

35 DR VEENKER: Yes. Moving into the next phase, we did give people the  
good opportunity to make a verbal submission and, as I understand it, Veronica  
Hudson from Maffra Secondary College has taken on that invitation and it  
would be appropriate, Veronica, if you'd like to make that now. Thank you.

40 MS HUDSON: I'd just like to acknowledge that obviously we're a consumer,  
not a provider. Good afternoon, my name is Veronica Hudson and I oversee  
the VET in schools and the VCAL program at Maffra Secondary College. We  
are a rural school, enrolling approximately 740 students and we are located  
45 25 kilometres from our nearest TAFE in Fulham, with some of our students

having to travel to the Newborough campus of GippsTAFE, 78 kilometres away, for VET.

5 Since 2007, we have seen our VET school numbers rise from 62 to 118. With the school leaving age increasing to 17 and the focus for educators on retention, we anticipate further rises in vocational learning options from our students. The fact is that the shortage of tradespeople nationally, as has already been mentioned, has already placed a focus on subjects, with more students choosing to participate on hands-on learning, with the hope that they can  
10 secure an apprenticeship.

The difficulty our college experiences - and I'm sure we're not alone in this - is in funding vocational learning but challenging to say the least. We talk about placing students at the centre of everything we do. However, the financial  
15 capacity of schools to support student choices seems to be diminishing. Our college will lose over \$125,000 this year in meeting the costs of VET and in a climate of what seems to be reduced resources for public education, this is hurting all of our students, vocational and academic. We are unable under current guidelines to ask parents to contribute to the cost of VET in schools and  
20 neither are we adequately funded to cover the cost. It's a no-win situation for our school.

With VCAL coordination also being withdrawn and the ever increasing costs of buses and VET charges, we struggle to support vocational learning at  
25 Maffra. Our school is not of the size where economies of scale can be utilised easily and effectively to reduce costs in classes. Neither are we lucky enough to have the facilities many others have to bring VET onto our own site to save costs. The theory that classes can be cut and teachers deployed elsewhere on VET days is not as simple as it sounds. The students at school still need to be  
30 provided with their normal program and our school has to create a mini-block in the timetable to cut study sessions on non-VET days for VET students who miss classes on their day of TAFE.

On top of this, our school must coordinate the VET program, bus our students  
35 to and from their VET courses. In the past, our VCAL coordination funding has actually assisted this. However, now we are left without any funding to manage the program. This includes enrolling students, liaising with the VET providers' reports, attending VET cluster meetings, managing changes in RTOs, dealing with student discipline issues at TAFE - you're probably  
40 already aware of them, and on the buses - training students on procedures for emergencies and meeting all the administrative requirements to gain certification at the completion of courses.

45 There is no funding for any of these aspects, with the responsibility falling back onto under-resourced schools to somehow fill the gaps. Earlier this year

we had over 60 VET students in Morwell and Sale and flooding began to inundate our surrounding area. Any Gippslander would be aware of that situation. Of course we had to evacuate all of them and getting them back to school and safely home. It took many teachers and administrations over two  
5 hours to actually achieve that outcome.

Even when students are at TAFE, they are still our responsibility, and it is simply ignorant to believe that it costs us nothing to have them there. Our college prides itself on achieving good transition outcomes for our students.  
10 We embrace government initiatives and work very hard to engage and retain our students to provide them with a bright future. The current funding arrangements for VET in schools are totally inadequate. It is getting more and more difficult to run vocational training in our schools and we are actually requesting that the panel take this message back that more needs to be done to  
15 support a school of our size and location. Thank you.

PROF BURKE: Thank you, Veronica. We can take them back though, even though this review in terms of reference excluded VET in schools, but we have to think about what link there might be and we're not limiting to keeping  
20 entirely to what's there. But would you now like to raise the issues that are of most concern to you and perhaps we can come back then at the end to try to sum up in relation to eligibility, fees, funding, organisation, independent body, high-need learners. I think it's a matter of taking up what's of most concern now and - - -

25 DR VEENKER: If you're comfortable to proceed that way, Gerald. The first part then, general responses to the review, and then suggesting that you may have themes that flow out of the review that you want to comment on. We're also particularly interested in - when we look at the recommendations and there  
30 could be clusters of recommendations, that perhaps you think about what are the priorities, what are the sort of time zones or what time considerations in terms of - if they were to be implemented, and if you consider there are major implementation issues associated with some of those recommendations and what would be easy to implement, we'd like to hear those messages as well.

35 So following on from Gerald's suggestion, if we go forward that way then, if you're comfortable with that. So perhaps if we first open it up to some general comments and then tease out those themes that we've heard Gerald express. So are you happy to go that way forward? We're in your hands on this one so - so  
40 would you care to make any other comments further to what we've heard already?

MR HAUXWELL: Yes, I'm Neal Hauxwell. I'm an AU member at GippsTAFE. My concern really is - I suppose I need to preface it by saying a  
45 little - just briefly what I do. I'm involved in the literacy numeracy assessment

of all first year apprentices and trainees, and at various times I've taught in programs like VCAL when they were run at TAFE, so I think I've got a reasonably good handle on what's happening in regard to young people looking for vocational education and training.

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My observations firstly would be that in terms of the needs of people beginning their apprenticeships or traineeships, I would suspect is beginning to - we're beginning to get such a broad spread of entry level skills and abilities, it's becoming problematic. We're finding now that we've got people who may nominally have reasonable levels of education on paper, but when we're doing the assessments, they really don't have the requisite skills that the training is premised on them having before they commence. I suppose my concern is that with the way that the review appears to me to be heading, I think the reality is that we've got ahead of us an enormous job in terms of course development to cater for a widening range of entry level skills.

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As well as the skill levels, we're starting to see now young people in reasonable numbers, who have been, by any measure, disengaged or whatever, run into trouble at secondary school and they're coming to TAFE referred through various agencies to looking to bridging programs towards apprenticeships and the like. I think with all of those groups the need is to diversify and dramatically improve our ability to train that broad group of people.

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My real concern with the way these sorts of changes are occurring is that really there's nothing left - I think once upon a time there used to be a reasonable degree of collaboration in course development and I think increasingly I get comments back from within TAFE and from within private providers that we're all in dog-eat-dog world and that we don't need to - everything is about holding intellectual property, whereas I think really there is a very good case that we need to be looking for a much more collaborative model than the market one is likely to produce.

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DR VEENKER: Thank you, Neal.

MS BENEDETTI: Tracy Benedetti again. Just following on from Neal's comments, being involved with disability support and our higher-needs learners, we're getting increasing numbers of students coming to us saying they have a barrier to learning, which is not necessarily medical or physical, mental, anything along those lines. It's what we class as a social issue; they can't read and write, and they want to come to TAFE and study a particular course. They've been told this is a nice pathway for them to get into uni or the job of their choice, and we have to make the distinction as to whether we support those students. Technically under our funding we are not supposed to, but we do from time to time help them out, even though that is outside the disability support brief. That is one hidden cost that you will not find when looking at

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higher-needs learners.

PROF BURKE: Can I just ask, can't these people be enrolled in foundation courses?

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MS BENEDETTI: They could be if the foundation courses are available and there is space. If there isn't - - -

PROF BURKE: Can't you respond to the fact that the funding will flow as you enrol the students?

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MS BENEDETTI: I can't, no. I get them after they've already been enrolled usually and then have to deal with the issues that come across with them.

15 PROF BURKE: Thank you.

MR TELLEFSON: Jeff Tellefson, Community College Gippsland. On a slightly different theme, just taking up the flexibility of VET FEE-HELP, when that arrived we were quite excited about that. We thought that that was quite a good concept. We've sort of found that administering it is quite difficult. I guess that's partly because we're across a number of campuses and I think maybe GippsTAFE might have a similar problem. We need to have a lot of (indistinct) within the organisation, as I understand it, and can explain it to the students. I've sort of felt maybe the problem is we've tried to adapt to federal national system that's more for higher ed and put that into the VET system. So maybe the idea of asking the Commonwealth to administer it may not be the answer, but I think it is worth pursuing and allowing cert IV students to be part of VET FEE-HELP. It's a great idea but I think we just need to streamline it somehow so that it can be administered more easily.

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PROF BURKE: Thank you. Yes, we've heard that comment at other consultations as well. Thank you for that.

MR BACKMAN: Phil Backman from Apprenticeships Group Australia. I'm a training manager. I have a comment about the waiting in terms of the funding dollars. The government has been commended in the number of students entering into VET and in the increase. I think the government needs to be commended for that. However, the hourly rate has not increased in the last eight years for what one gets funded for, training an apprentice, and some of these trades are getting very expensive and I think the way it needs to be looked at and the hourly rate in particular needs to be looked at.

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DR VEENKER: The review does suggest another look at the costing model as well, so thank you for that. Any further comments?

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MS EVA: I'll just reiterate that comment, with hospitality in particular. It's a huge cost area, we find. With the out-of-date qualifications, I'm quite pleased to hear that. I think that's fantastic and we do have a lot of people who are coming in - qualifications 20 years ago and don't understand why they can't get eligibility. Do you know what the partial subsidy is likely to be or recommendation?

PROF BURKE: No, that doesn't exist. I mean, Ron Ben-David when talking about this says - talking about seven years, whether it's five, whatever it is, it's a principle he's putting forward, suggesting that older qualifications - - -

MS EVA: You don't know whether it's 50 per cent or - - -

PROF BURKE: I don't think that's ever - that would be with the government and eventually to be considered whether the government supports this policy at all and then how they would go with it.

MS EVA: My other concern is, with the concessions, you were talking about percentage and hypothetically if it was 50 per cent or something or other. At the moment, healthcare card holders pay about, say, \$200. I'm concerned then of course if a - I think it's certificate IV, correct me if I'm wrong, it's about \$1000, something along those lines, so that means for a concession card holder it could be about \$500 and I think we're going to have the lower income people out of the market again to do any training.

PROF BURKE: If you want to make a further comment on that, too, and on the submission, you might look at the detail - the example that they've given in the report and see - they've given the example of 50 per cent and certainly there are a lot of people who would pay a higher concession fee than they currently pay, but they didn't say whether it should be 50 per cent, that it should be 80 per cent, whatever. They thought a set percentage was a good idea but you might look at that further and you could make a submission online. If you make a submission online, you don't have to answer somebody on every recommendation, you could just pick a particular one that you have a concern about.

DR VEENKER: In the report and the earlier presentation, the issue of transparency was also mentioned. Your reaction in terms of improving the transparency, in other words, the information that's available to students while they're making their choice. Support it? Good idea or - any other comments about information that was suggested in the report that be made available publicly - students might find useful? Depletion rates, things of that nature?

PROF BURKE: Just to add, when Ron Ben-David<sup>s</sup> has been presenting, he has taken the issue about quality and extra information about the quality of

provider, including student engagement in employment outcomes and so on, that information being available to people who have a better understanding of the quality of a provider. He's actually said that if no other recommendation from his report is taken up, he thinks issues about making sure that we've got  
5 quality assurance at a high level is a crucial one. I don't know whether people would like to comment further about that.

DR VEENKER: Another matter that comes up and was again mentioned in the earlier presentation, even though it was outside the terms of reference for  
10 the particular report that was done was the question of quality. Are there any further comments about quality? Obviously it's important and we recognise that.

MR HAUXWELL: I suppose I'm just following on on what I said - was trying  
15 to get across before.

DR VEENKER: I did note your - yes, please do.

MR HAUXWELL: I think that the two issues are very closely related and  
20 having had some involvement in the quality monitoring processes that have come in the past from the Commonwealth bureaucracies for programs like language, literacy and numeracy programs, I think the real danger is that in collecting and collating and storing the information that we are asked to improve quality, often it leads to a lack of quality. It really can become such a  
25 time wasting effort to try and state such a, I suppose, difficult-to-define concept as quality, that in the end it takes effort away from activities that actually produce it.

DR VEENKER: Thank you. We're in your hands.  
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PROF BURKE: One of the other things that has been suggested is that for  
concessions that eventually they might pass to the Commonwealth. It was a suggestion to try and get the Commonwealth to take over them but in the  
meantime the concessions - so recommended being on a percentage term.  
35 Slightly separate is the question of the high-needs learner and at the moment special funding is providing for the 15 to 19-year-olds who don't have a senior school certificate. There's a 1.3 for them and there's 1.5 for indigenous and for corrections. I think there's 1.1 for Auslan. Have I got it all covered?

40 But there's nothing specifically for disability and nothing specifically for low SES background people or otherwise. I don't know whether you want to give any comment about that? One of the things that's recommended is the costing funding review pick-up, and really try and pin down what the high-needs learning costs are. But you might like to have a comment about what are the  
45 areas that people need to pursue further and funding for these areas, are they a

particular concern.

5 MS BENEDETTI: At GippsTAFE we're getting continually increasing numbers of students presenting with a range of barriers to learning. They might be medical, physical, mental, hearing, visual, and, as I said earlier, the social-type barriers. We have a staff of a disability liaison officer and 27 support workers, who work with those students with barriers, in classrooms, outside of classrooms and also in tutorial situations and I can tell you now, each one of those 27 support workers works full-time. We don't get funded an enormous amount for them. They're part of our student services, but if we want to see those students with barriers succeed the way we say we do, we do need more funding in that area, to make sure that people aren't being pushed to the wall to assist.

15 PROF BURKE: If you've chapter and verse on that sort of thing and you want to add it into the written submission online, it's very useful if we're to pass on a comment to actually have something - - -

20 MS BENEDETTI: Examples (indistinct)

PROF BURKE: - - - exact - pretty exact. Something not hearsay and get comments about quality of particular providers and examples. We're all passing on anecdotes a bit. Something that's hard and can be documented is much more useful in passing it on.

25 MS BENEDETTI: Not a problem. Thank you.

PROF BURKE: We seem to have sort of covered the broad headings of the report. Are there some other issues that lay outside anything that's been raised here? I think we've been told that we don't have to be constrained to keep exactly to the ESC report or the other issues. I don't know if we're invited to go too far but we're certainly happy to - - -

35 MR CARROLL: Ian Carroll, GippsTAFE. Look, I probably should have chipped in earlier when I heard about the possible visibility of fee for service pricing, given I'd made an earlier comment about the possible differences in size and scale and cost structures of the public providers versus the plethora of private providers, because quite obviously in tendering for a series of fee for service opportunities, the difference in cost structures has a big bearing on how you can offer a price for the quality of service that you're delivering. So I think there's a very real risk if you get locked in to publication of all of your commercial intelligence, so I've put that out there as being something to note.

45 Rather than it being prescriptive, I think that there's a very real difference between the size and scale of operators and quite obviously what people can in

fact offer the market. But to back it up, obviously we stand on 80 years of being in existence on quality, and quality does come at a price and we're not in, necessarily, the race to the bottom of the market, up against some of those operators that may not statistically last four or five years. As a lot of small  
5 business operators tend to find, they don't get past that barrier of time.

PROF BURKE: You're not objecting to publishing all your prices?

MR CARROLL: I'm not objecting but I just put a caution there that it needs to  
10 be considered in the context of how organisations are structured and any sort of flow-on analysis of looking at all of the players in the marketplace needs to seriously follow a quite rigorous model, because otherwise the conclusions can be flawed. The prescription of actually mandating that every price is out there in the public domain is also flawed with the risk, because you're tendering in  
15 the marketplace to offer a whole range of services and it's not a level playing field, no matter how much we talk about it. The comment needs to be out there.

PROF BURKE: The view I see being taken in the ESC report is that for a  
20 market to function well there has to be good information about the quality of the courses, the price of the courses, where the courses lead to in terms of employment outcomes and so on and that's what's been pushed there. I think I can make the comment that if you compare what is available about each and every individual primary and secondary school up on the My School web site,  
25 there is a great deal more information required there and they also have the socio-economic background of the students to indicate when they look at the outcomes and so on and there was a lot of protest initially about that and that seems to have died away. But that is putting a personal view in there.

MR CARROLL: Yes, I agree. I think transparency is a good thing, don't get  
30 me wrong. I think that certainly these things will evolve and the social sites and the business-related sites are certainly going to grow and those things are important. We certainly have the economic reality. On further comment, you're looking at roughly a four-year transitional map on the back of your  
35 documentation here. Just to comment, it looks like the time frames are almost two years rather than four years and with last week's news it looks like they're almost immediate rather than four years. We are dealing in a difficult climate within economy and world conditions and competitive forces and everything else at play, the reality is perhaps the market can't sustain the sheer expanse of  
40 operators and that economic forces will in fact play out over the next couple of years to see a slight reduction or a rationalisation of the number of players in the market and that's what market forces do.

We are not baulking at competition, we believe that we will compete actively  
45 in that space but we would just like to make the point that it's fine to be

competitive but if you're not necessarily coming to the competition from the same arrangements, then there will be some pain and it's going to play out no doubt. But we support the commission and we hope that some of those recommendations flow through because certainly I concur with my previous  
5 figures about the expense of VET FEE-HELP. I think that that is a real opportunity that was a little slow to be taken up because of the need to communicate with our friends in Canberra. It wasn't always easy to get the first tranche of VET FEE-HELP courses and scenarios in place and I think that's taking its time to work out.

10 I think there is a general thrust to the user-pays environment and I think that some of the adjustments on fees will see people vote to take up those fees and some will vote with their feet and choose not to. But certainly, I think, in rationalising whether it's the state government that pays or the federal  
15 government that contributes or whether people opt to pay those fees and put them on the long-term repayment process through their taxation arrangements and their removal of their VET FEE-HELP debts and so forth, I think that is just the way of the work and it's a matter of making those facilities available as soon as possible to give everybody the choice that they need to have to be able  
20 to do the training and take on the education that they look to take on.

Bring it on but we just want to break down some of these barriers and hurdles quickly so that we can in fact utilise those federal funding opportunities. It is quite interesting at the moment that the change to the higher ed space and the  
25 competitive forces that come from the university part of the sector down into the TAFE space is perhaps being reassessed in the light of some of last week's changes. So that will be interesting from 1 January.

30 PROF BURKE: Would you like to add to that?

MR CARROLL: From my understanding of it briefly from what I've seen off the announcements through Peter Hall and the web site in terms of, I think, seven out of the 18 dual-sector TAFEs have had their funding altered in terms of rate reduction. So one would tend to think - and this is only a personal  
35 comment - that that will then take some pressures off those players playing in the TAFE space but continuing to play in the higher ed space and that may very well help our cause.

I think there are some other issues in terms of regionality because most of those  
40 players last week in the higher ed dual-sector space are capital city centric and not necessarily out in all of the regional areas, albeit some are. But I think that we're certainly seeing a general reassessment of just how much funding there is available for the sector and how quickly that money is being soaked up in the last 12 months with the uncapping of places and now we're seeing a  
45 reassessment of that and the brake has been put on and a slight reassessment of

that to the user pays, the apprentice concession changes and so on. So I suggest to everybody they get as much material of the Internet as they can in the next week or two and absorb it. It's quite fascinating.

5 PROF BURKE: If after doing that you're able to fill in the form and make a written submission on some of those sorts of things, your comments on each of the recommendations, I imagine there will be a difference between the regional responses and the city responses we're getting already and I know yesterday we had a forum in Colac and we were actually given a comment on each  
10 recommendation in turn and we know we're going to get a submission on that and we would welcome that and if you wish to put, "Yes, no, maybe," and then the reasons. There will be some of them that you will want to give reasons in more detail and that would be very helpful for us in preparing our report.

15 MR .....: Can it be more?

DR VEENKER: It can be more, yes.

MR TELLEFSON: It can be more. I guess this is almost a follow-up but  
20 we've talked a bit about the shrinking training dollar and that is clearly evidence and I guess a number of the earlier recommendations talk about more data on students and improved information for students and maybe an oversight body that's independent of government and I think all that is good and we're hearing about 1200 providers and we need to monitor and provide  
25 information for students. I would just be hoping and this might be outside your scope, that those dollars that provide some of that regulation is new dollars and not taken out of the training dollars, I guess shrinking the dollars to provide more compliance. I would only be making that comment that hopefully that can be funded separately from the training dollars. Thank you.

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DR VEENKER: I hear your message. Thank you.

MR GRAY: Jeff Gray from the ARU. I just want to talk about getting the balance right, consistency and flexibility. On the bottom of page 20 and on  
35 page 21 you talk about flexibility which is a word we're often worried about when politicians use it. Flexibility sounds like a nice positive word but has Orwellian undertones. It's not clear exactly what you mean in the report when you say, "The notion of 'flexibility' may, if left unchecked, become deleterious to signalling the value of qualifications," and on the bottom of page 2,  
40 "Unchecked flexibility." We're assuming that you're talking about the practice of what we refer to as shading hours.

The ARU has done a lot of research into package delivery where we have examples of packages that have been cut by up to 80 per cent or more and the  
45 signals that sends to the students and the effect it has. We know by and large

why it's done because of cost pressures but we're just interested to hear your point of view on this unchecked flexibility, if that is what you're referring to, and what comments you might have about.

5 PROF BURKE: It's not of course, it's the Essential Services Commission and just to add, what I think they're concerned about is that if people are comparing costs of courses and so on, some training packages allow you to - I know the diploma of business studies, if you choose carefully you can do it with 270  
10 nominal hours but the normal is about 440 and that is quite a large difference and that variability of cross-training packages and within them. So I think they are arguing there that people are buying a diploma in a particular area that have a fair idea that it's comparable with others. I think that's what they're on about but there is so much flexibility within them it is very difficult to compare the products and then compare the quality of what you're getting. Peter, is that  
15 opinion?

DR VEENKER: That's my reading also. I hadn't heard the phrase before "shaving hours", thank you for that but it's not that.

20 PROF BURKE: Are you saying that in the development of training packages they're actually developing units that are shorter? I thought in general training packages were getting a bit longer rather than shorter.

25 MR GRAY: I don't work in a TAFE but I don't think it's the development as such, I think it's the delivery.

30 PROF BURKE: Yes. We have either had people at a session say, "We can only deliver 90 per cent of the hours." Now, it does appear when you see advertisements courses delivered in a very short time and public knowledge that it's reviewed by the Productivity Commission in relation to aged care courses delivered in - cert III in three weeks and things of that sort, that people are delivering less hours than - a lot less than the normal hours but no-one says that normal hours are face to face, so there is those sorts of issues.

35 MR GRAY: I take your point there.

40 DR VEENKER: I think there's a great of diversity in choice and it's a timely reminder that we all support a degree of flexibility but it needs to be within manageable proportions and I think that's what I read out of that particular part of the report. Well, ladies and gentlemen, thank you so much for coming to be with us today. We've taken notes and we've heard the messages that were conveyed to us today. We hope to be able to do our report to the government by the end of November and certainly the themes that came through for us in regard to - we note the diversity of the student needs in the VET sector. We  
45 heard your messages regarding degrees of transparency, the need for

competition but also the desire for cooperation in the sector.

I think that the higher need of some of our learners you articulated well. The regional challenges that are faced and the interface with other parts of education, in particular, your comments towards the end about the higher education and dual sector, but also equally the importance of vocational delivery in the secondary system and the interface between the secondary system and the VET system. As far as vocational education is concerned, we noted those points as well. In regard to eligibility and student fees, thank you for your feedback on that and the comments regarding the importance of quality we've also noted.

Now, I hope I haven't missed anything with that. The comment about VET FEE-HELP, thank you for that and we understand that a little bit more work needs to go on there, but that there has been a positive step in terms of making that happen. Gerald, are there other matters that you want to pick up here?

PROF BURKE: I was just going to say, if you are able to make a written submission, to go online. Wendy, the address of the web site is, the top of the head?

MS ROSE: [www.education.vic.gov.au/aboutus/consultations/vetfeereview](http://www.education.vic.gov.au/aboutus/consultations/vetfeereview).

PROF BURKE: Maybe go to Google and put "VET fee fund" here and it might get to it too. I was going to say, if you are going to make a submission and there's a particular recommendation that you're wanting to explore, do make sure that you check with volume 2 because that's much more detailed and provides each recommendation in context with support to it. So if you're going to pursue that, just check the argument and some cases the extra evidence that they're putting forward for the position there, I think that would, I think, be useful background (indistinct) perhaps encourage you to read through the whole volume 2 as we have, but at least pursue the bit in relation to the area that's of most concern to you.

DR VEENKER: The part that also was valuable to me was hearing some of the implementation issues that you currently have and some of the ones that you would like to see improved in the future and some suggestions there and some of your perspectives about the longer-term direction of the sector of education. So thank you again for your contribution today and we'll be conducting some more forums like this in regional Victoria and in metropolitan Melbourne next week. By then we will have a good cross-section of input, so thank you again for the Gippsland contribution. We greatly value it. Thank you. If you have clarification issues regarding the recent decision that was conveyed about some changes in the VET sector, Nick has stayed and is available to answer those questions for you. Thank you.

**MATTER ADJOURNED AT 4.30 PM ACCORDINGLY**