

# **Pricing VET under Smart and Skilled**

**Other — Draft Report**  
July 2013



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## Invitation for submissions

IPART invites written comment on this document and encourages all interested parties to provide submissions addressing the matters discussed.

**Submissions are due by 27 August 2013.**

We would prefer to receive them electronically via our online submission form <[www.ipart.nsw.gov.au/Home/Consumer\\_Information/Lodge\\_a\\_submission](http://www.ipart.nsw.gov.au/Home/Consumer_Information/Lodge_a_submission)>.

You can also send comments by fax to (02) 9290 2061, or by mail to:

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Late submissions will not be accepted. All submissions accepted will be published on our website when our final report is submitted to the Minister for Education <[www.ipart.nsw.gov.au](http://www.ipart.nsw.gov.au)>. If you wish to view copies of submissions but do not have access to the website, you can make alternative arrangements by telephoning one of the staff members listed on the previous page.

We may choose not to publish a submission—for example, if it contains confidential or commercially sensitive information. If your submission contains information that you do not wish to be publicly disclosed, please indicate this clearly at the time of making the submission. IPART will then make every effort to protect that information, but it could be disclosed under the *Government Information (Public Access) Act 2009* (NSW) or the *Independent Pricing and Regulatory Tribunal Act 1992* (NSW), or where otherwise required by law.

If you would like further information on making a submission, IPART's submission policy is available on our website.



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## 1 Executive summary

The NSW Government is implementing a package of reforms known as Smart and Skilled, which will change the way vocational education and training (VET) is funded and purchased in NSW. From July 2014, it will introduce an entitlement to government-subsidised training in selected VET courses and qualifications up to and including Certificate III to all eligible individuals ('entitlement' training). It will also continue to fund a number of places in other targeted priority areas including pre-vocational training, skill sets and qualifications from Certificate IV to Advanced Diploma ('purchased' training).

One of the key features of Smart and Skilled is that the government subsidies for entitlement training will follow the student, rather than be allocated to specific registered training organisations (RTOs). This means students will be able to choose to go to the TAFE Institute, or approved Adult and Community Education (ACE) college or private RTO that best suits their needs. This should support and encourage competition and innovation in the NSW VET market.

The Government is currently developing several important elements of Smart and Skilled. These include:

- ▼ a skills list that defines the courses and qualifications that will receive government funding, as well as the students eligible for government-funded training
- ▼ a new information service that will allow students to easily identify training opportunities and compare training organisations
- ▼ the price and fee arrangements that will establish the price RTOs will receive for providing training under Smart and Skilled, how much of this price the Government will pay, and how much students will pay.

It will also introduce high standards and quality measures to ensure that only high quality training organisations can deliver subsidised training.

## 1.1 What has IPART been asked to do?

The Independent Pricing and Regulatory Tribunal of NSW (IPART) has been asked to provide advice and develop a methodology to determine price and fee arrangements for government-funded VET under Smart and Skilled.<sup>1</sup> In particular, we have been asked to assist the Government in determining 7 key components of the price and fee arrangements:

- ▼ base prices for each course/qualification included on the skills list
- ▼ loadings to be paid on top of the base price to cover the additional efficient costs associated with providing training to 'high cost learners'
- ▼ Community Service Obligations (CSOs), which will initially be paid to TAFE NSW and approved ACE colleges to cover the additional costs of providing training in 'thin markets'
- ▼ the levels of the student fee and the government subsidy for each course/qualification
- ▼ the level of concession fees, and fees for apprentices and trainees
- ▼ arrangements for staged payments to RTOs by students and by government over a qualification, and
- ▼ arrangements for adjusting prices and fees in future years.

The methodology we develop should be applicable to all courses, qualifications and part-qualifications government chooses to fund under Smart and Skilled. It should encourage quality training delivery at the most efficient price.

## 1.2 Our advice on base prices, loadings and CSOs

To meet the Government's requirements, the methodology we have developed to set prices aims to replicate the outcomes that would be achieved in a fully competitive market. It sets base prices, loadings and CSO to reflect the efficient costs of providing training to the current required quality standard. It also clearly identifies which costs are reflected through each of these components, to ensure it takes account of all relevant costs and avoids double-counting. At the same time, the methodology is reasonably simple to administer and should help Government predict and manage its implications for the finite VET budget.

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<sup>1</sup> This includes government-funded VET provided by TAFE NSW, Adult and Community Education (ACE) and private RTOs. It does not include commercial fee-for-service VET or VET in Schools, which will continue under existing arrangements and will not be affected by Smart and Skilled. A copy of the terms of reference for this review is contained in Appendix A.

### 1.2.1 Base prices should reflect efficient costs of providing training to a 'standard student'

Our recommended methodology sets base prices to reflect the **efficient costs**<sup>2</sup> of providing the training to a **standard student**<sup>3</sup> to the **required quality standard**.<sup>4</sup> These costs include teacher costs, course-specific costs (such as facilities, equipment and teaching supplies), recurrent costs (such as administrative staff, utilities) and capital costs (captured through a margin on operating costs).

First, we estimated the efficient level of these costs. We did not conduct our own efficiency review. Rather, we used available information and analysis on the costs incurred by TAFE and private RTOs. We will exclude costs that would not be incurred by an RTO in a competitive environment.

Therefore we exclude any costs identified through inter-related work on the VET Budget and Funding Model that relate to operation base funding (OBF). OBF costs are defined as the costs incurred by TAFE as a result of the competitive disadvantage arising from public ownership. We also excluded costs that will be captured in other funding streams under Smart and Skilled such as loadings, and CSOs. CSOs that were identified include support for students with a disability, including disability co-ordinators, support for Aboriginal and Torres Strait Islander (ATSI) students, including ATSI coordinators and counsellors, outreach coordinators and counselling costs.

Second, we used this information to estimate an efficient variable cost (\$/nominal hour) for the units of competency (UoCs) that make up the qualification, and an efficient fixed cost (\$/enrolment). To ensure that base prices best reflect the costs of delivering training in different industries and at different qualification levels, we estimated:

- ▼ 25 different variable costs that apply to 'standard' UoCs in 25 different industry groups. Our estimates indicate these costs range from \$4.25 per nominal hour (for UoCs in the Sport and recreation industry group) to \$11.81 per nominal hour (for UoCs in the Vehicle body industry group).
- ▼ 10 variable costs that apply only to 'high cost' UoCs within the same 25 industry groups. These UoCs include those that are more costly to deliver because they require expensive equipment or higher teacher hours. These variable costs include a premium of between 10% and 35% on top of the cost for a 'standard' UoC in the same industry group.

<sup>2</sup> Efficient costs are defined as the type and level of costs that would be incurred by an RTO operating in a fully competitive market.

<sup>3</sup> A standard student is defined as one located in metropolitan NSW who is not Aboriginal or Torres Strait Islander, does not have a disability and is not long-term unemployed.

<sup>4</sup> The required quality standard is regulated by the Australian Skills Quality Authority through the National VET Regulator Framework, and by the NSW Department of Education and Communities through the Smart and Skilled Quality Framework.

- ▼ 5 different fixed costs (\$/enrolment) that apply to different qualifications levels. These range from \$500 per enrolment (for Foundation skills courses other than Certificate 1) to \$4,400 per enrolment (for Diplomas and Advanced Diplomas).

Third, we assumed that the UoCs that make up the qualification reflect a typical combination of UoCs per qualification. Then we applied the relevant variable cost (\$/nominal hour) and the nationally agreed nominal hours for delivering these UoCs. Finally, we added the relevant fixed cost (\$/enrolment).

We consider that in the short-term, building base prices based on a typical combination of UoCs per qualification is a reasonable compromise between simplicity and cost-reflectivity. Over time, we consider the Department of Education and Communities (DEC) should collect further information on the combinations of UoCs offered by RTOs to determine whether the differences between these and the typical combinations warrant changing this approach.

### 1.2.2 Loadings should reflect the efficient additional costs of providing training to 'higher cost learners'

In our methodology, a loading is applied to the base price for the relevant qualification to reflect the **average (or typical) additional cost associated with providing training to a high cost learner** – defined as a student who is located in a regional or remote area of NSW, and/or is an Aboriginal or Torres Strait Islander, has a disability, or is long-term unemployed. These loadings include:

- ▼ Location loading –10% for students located in regional areas; 20% for students located in remote areas.
- ▼ Needs loading – 10% for students who are Aboriginal or Torres Strait Islander, have a disability, or are long-term unemployed.

We consider that the training provider should be able to claim a maximum of 1 location loading and 1 needs loading per student.

### 1.2.3 CSO can be used in thin markets where the base price and loadings are not sufficient to cover the costs of the training

In some circumstances, the base price and loadings will not be sufficient to compensate RTOs for the costs of delivering the training. For example, this may be due to lower than usual student numbers, or higher than usual student costs. In these 'thin markets', the Government may choose to provide additional funding via a CSO if it wants to ensure that the markets are serviced.

We have developed an approach for identifying thin markets to assist the Government in directing CSOs. In this approach, a market for VET would be defined in terms of the location of the training, the industry category of the training, and any specific student needs. A thin market would be defined as a market that it is too costly to supply for the available base price and loadings. These markets would be identified by testing whether an RTO is willing to supply them for the relevant base price and loadings.<sup>5</sup>

Once thin markets are identified, the Government would specifically determine those in which it wants to provide CSOs to ensure the training is supplied. At this stage it is Government policy that the supply of these markets should be negotiated with TAFE and ACE. However, after several years, it could be determined through competitive tendering.

In thin markets where the Government decides not to provide CSOs, students may choose to obtain training by paying the full commercial price. In these cases, we consider it equitable for the Government to pay the same government subsidy and loadings these students would receive if they undertook equivalent training in a robust market.

### **1.3 Our advice on appropriate levels for the student fee and government subsidy**

We have also developed an approach for determining what share of the base price for a student's first post-school qualification should be recovered through student fees and what share should be funded by a government subsidy. This approach:

- ▼ estimates the relative values of the private and public benefits associated with the VET qualification, to establish the initial student and government shares
- ▼ compares the fees and subsidies generated using the initial shares to the fees and subsidies that currently apply to students studying for comparable qualifications at universities
- ▼ adjusts the initial shares to ensure that both absolute fee levels and relative contributions (by students and the government) for VET and university education are broadly comparable.

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<sup>5</sup> This would require RTOs to submit (annually) a list of the markets (defined as above) for which they would be willing to provide services under the available base prices and loadings. Those that no RTOs indicated a willingness to provide services in would be considered to have satisfied the requirement for a thin market.

Based on this approach, we consider students undertaking their first post-school VET qualification should pay, at most, 40% of base prices in fees, with the remainder (60%) to be paid through Government subsidy. We consider that the resulting fees will assist the Government to meet its objectives for publicly funded VET, while minimising the potential for the relativity between the fees for VET and university to distort students' choices.

We also consider the differential between student fees for initial and subsequent qualifications should be small, in recognition of the need for pathways, re-skilling and skill deepening. In our view, students undertaking a subsequent VET qualification should pay, at most, 45% of base prices in fees, with the remainder (55%) to be paid through Government subsidy.

### **1.3.1 Student fees should be implemented as a maximum**

We consider that student fees should be implemented as a maximum, to allow RTOs to set actual fees lower than the maximum if they choose. This will encourage competition and innovation.

### **1.3.2 Apprentice and new entrant trainee fees should be consistent with other fees**

As recommended above, student fees should be set to reflect (at most) 40% of the base price, and the remaining 60% should be provided through a government subsidy. We consider that this approach should apply to all student fees, including apprentice and new entrant trainee fees. This will ensure the level of government subsidy provided to VET students is equitable.

However, we recognise that implementing this consistent approach immediately would result in large increases in fees for some apprentices, particularly those training in high-cost industry groups. Therefore, we consider:

- ▼ in the first year of Smart and Skilled, apprentice and trainee fees should be capped at \$3,000 per qualification
- ▼ in the subsequent years, this cap should be increased by \$1,000 per year until the fee reaches a level that reflects 40% of the base price.

If a student facing this maximum fee takes 3.5 years to complete their qualification, they would pay an additional \$379 in fees in the first year of Smart and Skilled.



### 1.3.3 Concession fees should vary by qualification level

We consider that concession students should continue to receive additional subsidies in recognition of their lower capacity to pay for VET. However, concession students doing higher level qualification would pay more in recognition of the longer duration of training and higher private returns for the qualifications.<sup>6</sup>

## 1.4 Likely impact of our advice on students, the Government and the level of subsidised training

If our advice is accepted, eligible students starting VET courses and qualifications on the skills list from July 2014 will pay different fees to those current students pay for the same qualifications.<sup>7</sup> Students who do not meet Government's eligibility criteria or undertake VET not included on the skills list will pay a commercial (or fee-for-service) fee that is set by the RTO and will be impacted differently. Our review does not cover the fees charged by RTOs in the commercial or fee-for-service market.

The impact on eligible students will vary widely – for some students, fees will go down, for others they will go up by a relatively small amount per year, and for others they will go up more significantly. The actual increase for an individual student will vary, depending on the level of qualification, how long they take to complete the qualification and whether they are an apprentice or new entrant trainee.<sup>8</sup>

Looking at all students who pay the standard student fee for their qualification (ie, those who are not eligible for concessions or exemptions and who are not apprentices or trainees), we estimate that:

- ▼ **Around 16% will see a fee decrease.** These are the students who undertake a course or qualification that involves relatively low costs, and/or one where the current student fee reflects a higher share of those costs than appropriate.
- ▼ **Around 24% will face a fee increase of less than \$500 per qualification.** If they take 2 years to complete the qualification, they will pay up to an additional \$250 per year.
- ▼ **Around 37% will face a fee increase of between \$500 and \$1500 per qualification.** If they take 2 years to complete the qualification, they will pay up to an additional \$750 per year.

<sup>6</sup> We did not consider eligibility requirements for concessions or exemptions. The NSW Government has indicated that under Smart and Skilled, existing eligibility requirements are to be maintained.

<sup>7</sup> Note that students who are not eligible for government-funded training will be impacted differently and are outside the scope of our review.

<sup>8</sup> Consistent with current policy, existing worker trainees are not eligible for government-funded training.

▼ **Around 22% will face a fee increase of more than \$1500 per qualification.**

These are likely to be students undertaking a qualification that involves relatively high costs, and/or one where the current student fee reflects a lower share of those costs than appropriate. If they take 2 years to complete the qualification, they will pay at least an additional \$750 per year.

Looking at the different qualification levels, more than 85% of students doing a Certificate II and Certificate III qualification will face a fee increase of more than \$500.<sup>9</sup> Based on the typical time taken to complete these qualifications, this translates to at least an extra \$250 to \$330 or more per year. These students are more likely to be training in a technical or trade-based area, where training costs are relatively high.

Almost 25% of students undertaking a Certificate IV or higher qualification will pay lower fees. Roughly one-third will pay no more than \$500 per qualification. Based on the typical time taken to complete these qualifications, this translates to no more than an extra \$250 per year. These students are more likely to be training in business, administration or general education, where training costs are relatively low.

The fees for apprentices and new entrant trainees will be capped at \$3,000 in 2014. Most apprentices take 3.5 years to complete their qualification, so they are likely to initially pay an additional \$379 in fees per year.

We have also considered the trade-offs between the level of student fees, the Government budget and the amount of training that can be funded on the skills list. We estimate that, if the budget for VET does not change, without fee increases, the Government will be able to fund a fewer number of VET places. Our analysis suggests that, without fee increases the NSW Government would provide around 61,000 fewer subsidised VET places in 2014/15, compared to if fees are increased.<sup>10</sup> We also estimate that if student fees were set to reflect 30% of the base price<sup>11</sup> (rather than 40%), the Government would subsidise around 29,000 fewer VET places than if fees are increased to our recommended levels.

We also note the impact of the continued funding of OBF for TAFE NSW. These costs reflect the higher costs incurred by TAFE as a result of the competitive disadvantage it faces due to public ownership. We estimate that a reduction in OBF of \$20 million could be used to fund 10,000 additional VET places under our recommended prices and fees.

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<sup>9</sup> Compared to 36% for Certificate I and lower, and less than 50% for Certificate IV and higher.

<sup>10</sup> The VET market in NSW provides training to more than 450,000 students a year that receive funding from the Commonwealth and/or NSW Government. This figure includes full qualifications, part qualifications, short courses and statements of attainment.

<sup>11</sup> This assumes a \$3000 cap on apprentices/trainees and concessions paying lower fees as per our recommendations.

## 1.5 IPART seeks comment on this draft report

We are now seeking comment on this draft report. We invite written submissions by 27 August 2013. Late submissions will not be accepted. All submissions accepted will be published on our website when our final report is submitted to the Minister for Education. We will consider all issues raised in submissions, and will provide our final report to the Minister for Education by the end of September 2013. Following our advice, the Minister for Education will decide on the appropriate levels of subsidy and student fees.

For information on how to make a submission, see page iii at the front of this report.

## 1.6 Draft Recommendations in this report

- 1 Base prices should reflect the 'efficient' costs an RTO will incur in providing training that meets the 'required quality standard' to a 'standard' student including: 45
  - teacher costs 45
  - course-specific costs (such as facilities, equipment and teaching supplies) 45
  - recurrent costs (such as administrative staff, utilities) 45
  - capital costs (captured through a margin on operating costs). 45
- 2 The base price for each course and qualification on the skills list should be established by applying a variable cost (\$/nominal hour) that reflects costs driven by the combination of UoCs the qualification involves, and a fixed cost component (\$/enrolment) that reflects costs driven by the level of the qualification. The base prices should be established by: 45
  - applying the relevant variable cost (\$/nominal hour) for each UoC it involves to the nationally agreed nominal hours for delivering that UoC 45
  - summing these amounts to derive the total variable cost, and 45
  - adding the relevant fixed cost (\$/enrolment). 45
- 3 For the purpose of establishing the total variable cost to be included in the base price: 46
  - UoCs should be categorised into 25 different industry groups based on their cost drivers 46
  - the variable cost of 'standard' UoCs in each of these industry groups should be estimated 46

- the variable cost of ‘high cost’ UoCs in 10 of these industry groups should also be estimated. This cost should include a premium of between 10% and around 35% on top of the cost for a ‘standard’ UoC in the same industry group 46
- the estimated variable costs shown in Table 4.1 should apply from 2014/15 46
- the combination of UoCs involved in the course or qualification should be assumed to be a typical combination of UoCs for that course or qualification, at least in the first few years of Smart and Skilled. 46
- 4 For the purpose of establishing the fixed cost to be included in the base price: 46
  - courses and qualifications should be categorised into 5 groups based on the typical amount of time taken to complete them 46
  - the fixed cost of this amount of training time should be estimated 46
  - the estimated fixed costs shown in Table 4.2 should apply from 2014/15 46
  - 5 different fixed costs (\$/enrolment) that apply to different qualifications levels. These should range from \$500 per enrolment (for Foundation skills courses other than Certificate 1) to \$4,400 per enrolment (for Diplomas and Advanced Diplomas). 46
- 5 Base prices should not vary with the mode of delivery. 46
- 6 DEC should collect information on the combinations of UoCs RTOs offer for each course and qualification, to assess how these differ from the typical combination of UoCs and whether the differences warrant making changes to the approach for establishing the variable cost component of base prices. 46
- 7 DEC should collect information on the UoCs and actual hours of training RTOs deliver per course and qualification, to ensure the base prices remain cost-reflective and identify where RTOs may be compromising the quality of training they deliver and further investigation may be warranted. 46
- 8 The following loadings should be added to the base price to reflect the additional costs associated with higher cost learners: 53
  - location loading – 10% for students located in regional areas; 20% for students located in remote areas 53
  - needs loading – 10% for students who are Aboriginal or Torres Strait Islander, have a disability, or are long-term unemployed. 53
- 9 A provider should be able to claim a maximum of 1 location loading and 1 needs loading per student. 53

10	For the purposes of directing CSOs:	58
	– a market should be defined in terms of the location of the training, industry category of the training and any specific student needs to be serviced	58
	– a thin market should be defined as a market that is too costly to supply for the available base price and loadings.	58
11	The Government should specifically identify the thin markets for which it wants to provide CSOs. The supply of these markets should be negotiated with TAFE and ACE during the first several years of Smart and Skilled, and then put to competitive tender.	58
12	In thin markets where the Government does <b>not</b> provide CSOs and RTOs offer courses and qualifications on the skills list for the full commercial price, students should be entitled to the government subsidy and any loadings they would receive if they undertook the same training in a robust market.	58
13	Students undertaking their first post-school VET qualification should pay, at most, 40% of base prices in fees, with the remainder (60%) paid through Government subsidies.	70
14	Students undertaking a subsequent VET qualification should pay, at most, 45% of base prices in fees, with the remainder (55%) paid through government subsidies.	72
15	The approach to sharing the costs of part qualifications between student fees and government subsidy should be the same as the approach to sharing base prices for full qualifications.	73
16	Students undertaking Foundation Skills courses should pay 10% of base prices in fees, with the remainder (90%) paid through government subsidies.	74
17	Student fees should be specified as the maximum fees RTOs can charge, so they are able to charge lower fees if they choose.	75
18	In principle, the fee arrangements for apprentices and new entrant trainees should be consistent with those for other students.	80
19	In practice, apprentice and new entrant trainee fees should transition towards levels consistent with those for other students to reduce impacts on students and industry:	80
	– during the first year of Smart and Skilled, fees for apprentices and new entrant trainees should be capped at \$3,000 per qualification.	80
	– in the subsequent years this cap would be increased by \$1,000 per year until all apprentice and new entrant trainee fees reach the targeted percentage of the base price.	80

20	Concession fees should vary by qualification level, in recognition of the higher average number of hours of training involved in higher level qualifications, and the higher private returns for higher qualifications.	86
21	From 2014/15, the following concession fees should apply:	86
	– Foundation courses – either \$100 per course or the standard fee, whichever is lower.	86
	– Certificates I and II – \$200 per qualification.	86
	– Certificates III and IV – \$400 per qualification.	86
	– Diploma and Advanced Diploma – \$500 per qualification.	86
22	DEC should publish information about individual RTO performance to help students and employers assess potential providers' quality before making training decisions.	97
23	RTOs should publish information on any personal costs a student will incur in studying a qualification.	97
24	The timing of government and student payments to RTOs should be staged so an RTO's receipt of revenues matches its incurrence of costs.	104
25	RTOs should have discretion over the timing of student fee payments, but should be required to publish information on this timing.	104
26	To ensure base prices and student fees continue to reflect efficient costs and an appropriate sharing of costs between students and the Government, the following arrangements should be put in place:	111
	– Base prices and student fees should be adjusted by the average change in CPI (All groups Sydney) in the previous year, on 1 January of each year.	111
	– The adjusted base prices and student fees for each year should apply to students who are new enrolments in that year. Existing enrolments should continue to be supplied for the prices and fees that applied when they first enrolled.	112
	– The first major review to reset base prices and student fees should be conducted prior to the price change on 1 January 2018. After that, a review to reset prices should be conducted every 3 years.	112
27	Regulation of the student fee component should be relaxed progressively, in line with the following arrangements:	112
	– From the start of Smart and Skilled, student fees should be specified as maximum fees (as per Draft recommendation 17).	112

- During the first years of Smart and Skilled, DEC should provide information to students and employers (as per Draft recommendation 22) and to training providers to improve the contestability of the NSW VET market. Information for training providers should include the number of students enrolled in each qualification by region, the number of students receiving loadings and concessions by region. 112
- After the first major review to reset prices, a review should be conducted to determine if and how fee regulation should be further relaxed or removed, and any new arrangements resulting from this review should apply from 1 January 2019. 112

IPART seeks comments on the following

- 1 Whether the payment of student fees and the government subsidy for any units accredited as Recognition of Prior Learning (RPL) should be set at 50%. 104

### 1.6.1 How this report is structured

This draft report sets out our draft decisions and recommendations. The rest of this report is structured as follows:

- ▼ Chapter 2 sets out the scope, context and process for this review.
- ▼ Chapter 3 provides an overview of the approach we used to develop our recommended methodology for price and fee arrangements.
- ▼ Chapter 4 sets out the methodology we developed for determining base prices for individual courses and qualifications in the first year of Smart and Skilled.
- ▼ Chapter 5 explains our recommendations on the loadings that should be added to the base price.
- ▼ Chapter 6 sets out the approach we have developed for identifying and testing for 'thin markets' in VET.
- ▼ Chapter 7 explains our approach to determining the appropriate student fee and government subsidy for first post-school qualifications.
- ▼ Chapter 8 sets out our recommendations regarding other fee arrangements, eg, fees applying to subsequent qualifications, part qualifications and Foundation Skills courses.
- ▼ Chapter 9 explains recommendations on student fees for apprentices and new entrant trainees.
- ▼ Chapter 10 sets out our recommendations on student fees for concession students.
- ▼ Chapter 11 discusses the impacts of our draft recommendations on students, the Government and the quantity of government-funded VET available.

- ▼ Chapter 12 discusses the impact of our recommended methodology for price and fee arrangements on the quality of VET provided.
- ▼ Chapter 13 sets out our recommendations on the payment arrangements for government subsidies and student fees.
- ▼ Chapter 14 explains our recommendations regarding adjusting base prices and student fees in the future.

Appendices A to K provide additional information on VET, base prices and the quality framework.



## 2 Scope, context and process for this review

Our review covers the price and fee arrangements for government-funded VET provided under Smart and Skilled. Under Smart and Skilled, the Government will set the student fee **and** the government subsidy levels for all government-funded VET, and these levels will apply consistently across all RTOs approved to deliver this training. It will also develop a skills list to define the courses and qualifications that will receive government funding as either entitlement or purchased training. Our methodology must be applicable to all training funded under Smart and Skilled; however our review does not involve advice on the courses and qualifications the Government will fund through the skills list. The elements of Smart and Skilled, and their development, are set out in the figure below.

**Figure 2.1 Elements of Smart and Skilled**



The sections below discuss the contextual factors for this review and give an outline of the Smart and Skilled reforms. We then discuss the assessment criteria we used to guide our analysis and decision making and set out the process we followed in conducting this review.

## 2.1 Context for this review

The NSW VET market is made up of 3 key segments:

- ▼ the domestic government-funded market, where some of the cost of training is borne by government (in the form of payments to training providers) and the rest is borne the students (as fees)
- ▼ the domestic fee-for-service market, where all of the cost is borne by the student, and
- ▼ the overseas full-fee paying market, where all of the cost is borne by the student.<sup>12</sup>

Our review focuses on the price and fee arrangements for the domestic government-funded market only.<sup>13</sup> To provide the context for this review, the sections below set out the NSW Government's Smart and Skilled reforms and their impact on the government-funded VET market in detail.<sup>14</sup>

### 2.1.1 Smart and Skilled reforms and their impact on government-funded VET market

In 2011, the NSW Government considered the development of the Smart and Skilled reforms to meet the goals and targets in the NSW State Plan – *NSW 2021* and NSW obligations under the national skills agreements. These obligations include the introduction of a national training entitlement and targets for increasing the proportion of Australians with qualifications at Certificate III level and above.<sup>15</sup> The NSW Government announced the Smart and Skilled reform in October 2012. It will take effect from July 2014.

Smart and Skilled is a major reform of the NSW VET system. It will introduce an entitlement for entry-level training, income contingent loans for higher-level qualifications, better information for consumers and a quality framework for government-funded training.

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<sup>12</sup> In some case, student fees are paid by employers on behalf of the student.

<sup>13</sup> Excluding VET in schools, which will continue under existing funding arrangements.

<sup>14</sup> Further information on the government-funded VET market in NSW is contained in Appendix C.

<sup>15</sup> COAG, National Agreement for Skills and Workforce Development, released 2009 and revised 2012. A number of partnership agreements support this agreement, including the National Partnership on Skills Reform. See [http://www.federalfinancialrelations.gov.au/content/national\\_agreements.aspx](http://www.federalfinancialrelations.gov.au/content/national_agreements.aspx) (accessed 16 July 2013).

Smart and Skilled will change the arrangements for funding and purchasing government-funded VET from a largely supply-side model to a largely demand-side model. This will mean more of the government-funded market will be consumer driven where students and employers have more choice over the approved RTO that best meets their needs.

The key changes relevant to this review are:

- ▼ the introduction of an 'entitlement' for entry level training up to and including Certificate III and targeted 'purchased' training in pre-vocational training, skill sets and higher level qualifications (Certificate IV, Diploma and Advanced Diploma)
- ▼ the pricing principles for price and fee arrangements
- ▼ the shift to charging student fees on a per qualification basis rather than an annual (or time served) basis.<sup>16</sup>

Other key reforms on Smart and Skilled include informed choice with improved quality measures, recognition of the role and function of TAFE NSW as the public provider, greater support for regions and equity groups and better information for consumers.<sup>17</sup>

### Entitlement and purchased training

Under Smart and Skilled, the NSW Government will introduce an entitlement to a government subsidised place in selected foundation courses and qualifications up to and including Certificate III for eligible individuals ('entitlement' training). Students will be eligible to receive entitlement training if they are:

- ▼ an Australian citizen, permanent resident or humanitarian visa holder, and
- ▼ aged 15 years or over, and
- ▼ live or work in NSW, and
- ▼ have no qualifications at Certificate IV or higher.<sup>18</sup>

Apprenticeships and new-entrant traineeships will form part of the entitlement and continue to operate under existing 'user-choice' arrangements. However, students will pay a fee per qualification rather than the current fee that is charged based on time served.

<sup>16</sup> For more information on these parts of Smart and Skilled see DEC, *Smart and Skilled – reforming VET in NSW*, Available from: [https://www.training.nsw.gov.au/vet/skills\\_reform/index.html](https://www.training.nsw.gov.au/vet/skills_reform/index.html) (accessed 16 July 2013).

<sup>17</sup> Under Smart and Skilled a new information service will allow students to identify training opportunities and compare training organisations. In addition, there will be an online portal with information on training, job prospects, career pathways and provider performance.

<sup>18</sup> DEC, *Smart and Skilled Fact Sheet for Individuals*, 2012, p 1.

As per existing Government policy, existing-worker traineeships will not be eligible for government-funded training.

The funding and purchasing model for entitlement training will be demand-driven. That is, the government-funding for this training will follow the student to their choice of approved RTO. Under this model, the Government will need to manage a demand-driven system within a defined budget.

The entitlement will be limited to selected foundation skills and Certificate II and III qualifications. Certificate III is considered the core entry-level vocational qualification in many growing industry and occupational areas, and is the first post-school level of qualification shown to have a positive impact on a person's employment and earnings.<sup>19</sup>

The Government will continue to subsidise other targeted training places, including pre-vocational training, skills sets and higher level qualifications from Certificate IV to Advanced Diploma. This training ('purchased' training) will be provided through TAFE NSW and approved private and community RTOs.

The funding and purchasing model for purchased training will be supply-driven. That is, government-funding for this training will be allocated to approved training organisations to purchase a fixed number of places.<sup>20</sup> After a year of implementation and review, the Government may extend entitlement training to include higher level qualifications.

The Government will develop a 'skills list' to define what courses it will fund as entitlement and purchased training. The overall aim of this list is to encourage enrolments in courses that meet the needs of the NSW economy and industry. The 'skills list' will be based on extensive labour market analysis and industry consultation.

### Pricing principles for price and fee arrangements

The NSW Government has agreed on a number of pricing principles for price and fee arrangements under Smart and Skilled. These are included in the terms of reference for this review (see Appendix A) and listed in Box 2.1. We are required to have regard to these principles when developing our methodology.

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<sup>19</sup> DEC, Smart and Skilled - Frequently Asked Questions, Available from: [http://www.training.nsw.gov.au/vet/skills\\_reform/faq\\_all.html#faq4](http://www.training.nsw.gov.au/vet/skills_reform/faq_all.html#faq4) (accessed 16 July 2013).

<sup>20</sup> DEC, *Smart and Skilled: Making NSW Number One Discussion Paper*, September 2011, p 5, Available from: [http://www.training.nsw.gov.au/forms\\_documents/vet/discussion\\_paper.pdf](http://www.training.nsw.gov.au/forms_documents/vet/discussion_paper.pdf) (accessed 16 July 2013).

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**Box 2.1 Government agreed pricing principles for government funded training under Smart and Skilled**

- ▼ Price and fee arrangements will apply transparently and consistently across all approved training organisations delivering public subsidy training.
  - ▼ Students will pay a set fee per qualification rather than an annual fee (or fee based on time served).
  - ▼ Students doing higher-level qualifications will contribute more than students doing lower level qualifications.
  - ▼ Exemptions and concessions will be retained for Aboriginal and Torres Strait Islander students, students with a disability and welfare beneficiaries.
  - ▼ Students doing a subsequent post-school qualification will make a higher contribution than those doing a first post-school qualification.
  - ▼ Students up to the age of 17 that have left school would continue to contribute at the first post-school qualification rate.
  - ▼ A loading on top of the base price will be paid to RTOs to reflect higher costs of training particular students. Loadings will be directed towards students that are disadvantaged (for example Aboriginal and Torres Strait Islander students, disability and long-term unemployed) and studying in regional locations.
  - ▼ Community Service Obligations will be paid to TAFE NSW and approved ACE providers. CSOs will be directed towards markets deemed as social obligations with low levels of demand and high costs (Government refers to these as thin markets).
  - ▼ Income contingent loans will be available for approved public subsidy Diploma and Advanced Diploma qualifications.
- 

### Student fees charged per qualification

Under Smart and Skilled, student fees will be charged per qualification rather than on an annual (or time served) basis. Figure 2.4 summarises what fees will apply to different types of qualifications and students under Smart and Skilled. The fee for an individual student will depend on the following:

- ▼ **Whether or not the qualification is on the skills list.** If a qualification is not on the list, students will have the choice to pay a commercial (or fee-for-service) fee that is set by the RTO (not the Government). Alternatively, the student may select another qualification from the skills list and possibly be eligible for a subsidised fee (depending on whether they meet the eligibility set out below). Our review does not cover fees charged by RTOs in the commercial fee-for-service market.<sup>21</sup>

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<sup>21</sup> However, we note that our terms of reference ask us to consider the impact of our methodology on fees paid by students in the fee-for-service market.

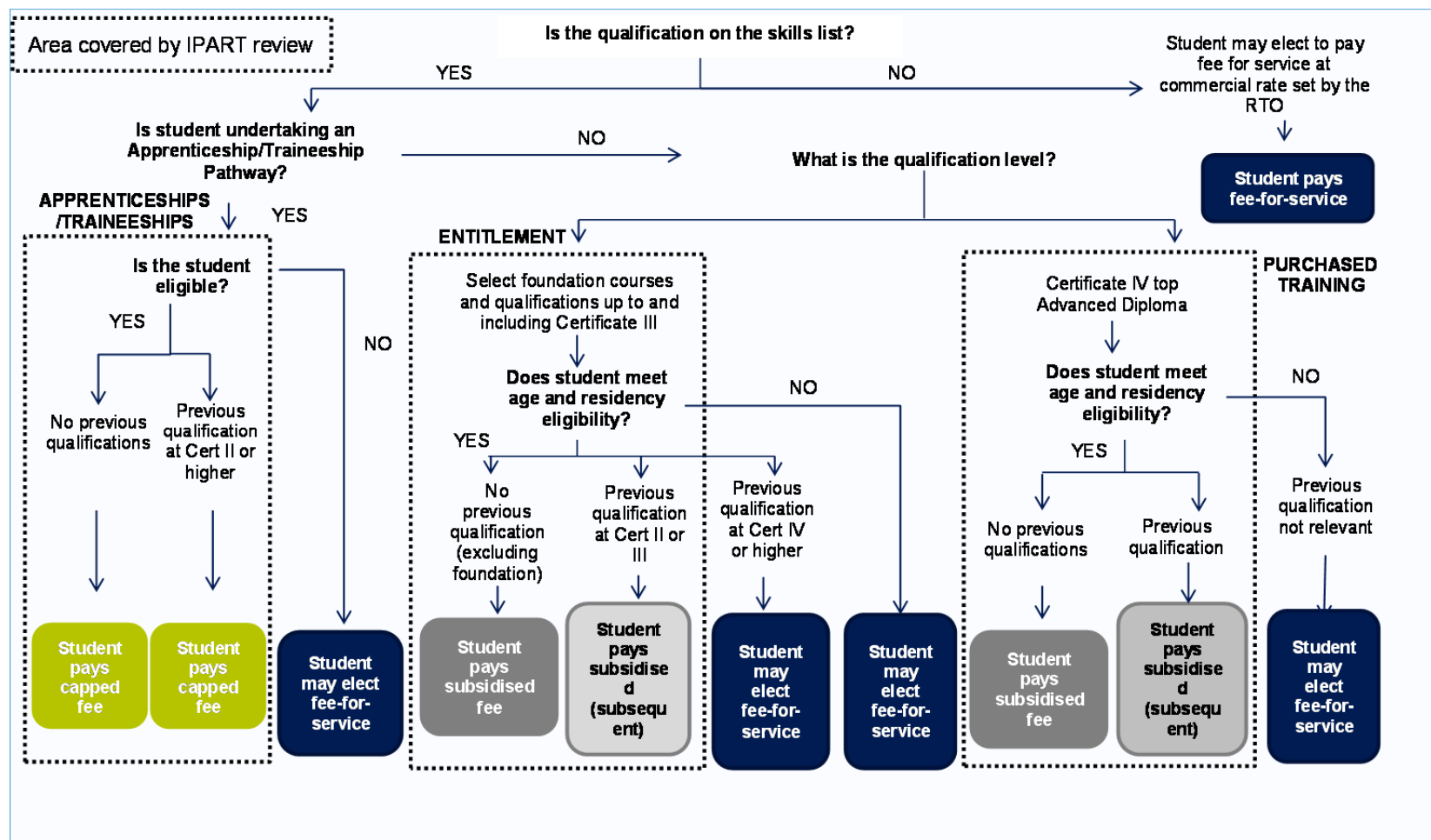
- ▼ **If the course is not part of an apprenticeship or traineeship pathway, what the level of the qualification is and whether the student meets the required age and residency eligibility:**
  - Selected foundation courses and qualifications up to and including Certificate III will be classed as entitlement training. Students with no previous post-school qualifications will be eligible for a subsidised fee (we refer to this as the fee for an *initial* qualification). Eligible students with previous qualifications at Certificate II or II will pay a subsequent subsidised fee which is higher than for those with no qualifications (we refer to this as the fee for a *subsequent* qualification).<sup>22</sup> Students with previous qualifications at Certificate IV or higher, or who do not meet the age and eligibility criteria, may elect to pay the commercial (or fee-for-service) fee. Training in the courses and qualifications on the skills list under the entitlement will be driven by demand.
  - Certificate IV to Advanced Diploma qualifications on the skills list will be classed as purchased training. Eligible students will pay a subsidised fee. Those doing a second or subsequent post-school qualification will pay a subsequent subsidised fee which is higher than for those with no post-school qualifications. The number of places that the Government chooses to fund will depend on priorities identified in the skills list.
- ▼ **Whether the student is undertaking the course as part of an apprenticeship and traineeship pathway.** The Government has indicated that existing eligibility requirements for apprenticeships and new entrant traineeships are to be maintained, while funding arrangements and fee payment will align to the policy principles under Smart and Skilled. Our review covers how the current fees for these qualifications should be converted into per qualification fees and whether these should differ by qualification level.<sup>23</sup> It is the Government's policy that students undertaking an apprenticeship or new entrant traineeship always pay the fee for an initial qualification.<sup>24</sup>
- ▼ **Whether the student is eligible for a concession or fee exemption.** Concessions and fee exemptions will be maintained for Aboriginal and Torres Strait Islander students, students with a disability and welfare recipients.

<sup>22</sup> If a student's previous highest level of education is a foundation skills course they will pay the initial fee for their first course or qualification at a level higher than foundation skills.

<sup>23</sup> As is currently the case, existing workers undertaking traineeships will not be eligible for government funding.

<sup>24</sup> See [http://www.training.nsw.gov.au/vet/skills\\_reform/faq\\_all.html#faq20](http://www.training.nsw.gov.au/vet/skills_reform/faq_all.html#faq20) (accessed 17 July 2013).

Figure 2.2 Student fees under Smart and Skilled reform





## 2.2 Matters we took into consideration and our assessment criteria

Our terms of reference (see Appendix A) state that the price and fee arrangements “should be market-tested, efficient, effective, socially optimal and take account of relevant externalities” and “should encourage quality training delivery at most efficient price”.

To help us ensure that our advice and methodology reflect the terms of reference for this review, we developed a proposed a set of assessment criteria and sought comment on them in our issues paper. Stakeholders who responded to this paper generally supported the proposed criteria, and none specifically recommended any criterion be removed. However, several stakeholders commented on their overall adequacy or suggested that additional criteria be included:

- ▼ TAFE Community Alliance noted we had not specifically referred to several parts of the terms of reference (dimensions of VET market, entry requirements and barriers to the market, market failure, thin markets and potential for cost shifting).<sup>25</sup>
- ▼ TAFE South Western Sydney Institute<sup>26</sup> argued that the criteria should include the goals established in the 6 NSW Industry Action Plans, the NSW State Plan 2021 and the goals Department of Education, Employment and Workplace relations (DEEWR) set out in its Regional Education Skills and Job Plans for the region.
- ▼ Several stakeholders noted the importance of the skills list, particularly how important it is that this list reflects the needs of the economy.<sup>27</sup> For example, Service Skills NSW submitted that the skills list needs to take into account the economic value and labour market characteristics of the service industries.<sup>28</sup> Tocal College noted that the process for including courses on the skills list needs to be transparent and fair.<sup>29</sup> The Veterinary Nurses Council of Australia<sup>30</sup> argued that the range of industries and courses the pricing methodology will relate to is too broad for the criteria to have any real impact.

<sup>25</sup> TAFE Community Alliance (TAFE CA), Submission to Issues Paper, May 2013, p 8.

<sup>26</sup> TAFE South Western Sydney Institute (TAFE SWSI), Submission to Issues Paper, May 2013, p 3.

<sup>27</sup> Service Skills NSW (SSNSW), Submission to Issues Paper, May 2013, p 3 and Manufacturing Skills Australia (MSA), Submission to Issues Paper, May 2013, p 7.

<sup>28</sup> SSNSW, Submission to Issues Paper, May 2013, p 3.

<sup>29</sup> Tocal College (Tocal), Submission to Issues Paper, April 2013, p 1.

<sup>30</sup> Veterinary Nurses Council of Australia (VNCA), Submission to Issues Paper, May 2013, p 2.



- ▼ TAFE Western Sydney Institute<sup>31</sup> asked for further explanation of the criteria for determining the ‘efficiency’ of training costs, while the Master Plumbers Association of NSW<sup>32</sup> argued that the criteria should capture the true and valid costs of delivery, rather than the efficient costs. It asked that the fees to be set through the methodology be defined, noting that students can incur a range of fees in addition to enrolment fees, including course material, library and student association fees.

After considering stakeholder comments, we made a draft decision to adopt the proposed assessment criteria, listed in Box 2.2. We consider that these criteria address stakeholder comments. For example, criterion 4 refers to the broad range of factors in our terms of reference, including (but not limited to) the efficient costs of providing VET and the varied types of consumers, products and delivery methods.

We agree with stakeholders’ comments about the importance of the skills list reflecting the needs of the NSW economy. However, as we noted earlier, deciding which courses and qualifications to include on this list is a matter for government policy and is outside the scope of our review. Our methodology needs to apply to any course or qualification that the government chooses to include on the skills list.

We also note the comments from TAFE Western Sydney Institute and the Master Plumbers Association regarding the need to define the types of costs the base prices and student fees determined by our recommended methodology are intended to cover. We have considered these costs as part of step 1 of our analytical approach. Our considerations and draft decisions are outlined below, and discussed in detail in Chapter 4.

<sup>31</sup> TAFE Western Sydney Institute (TAFE WSI), Submission to Issues Paper, May 2013, p 1.

<sup>32</sup> Master Plumbers Association of NSW (MPA NSW), Submission to Issues Paper, May 2013, p 5.

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### **Box 2.2      Assessment criteria for this review**

The methodology for determining price and fee arrangements for government-funded VET should:

1. Replicate where possible the outcomes that would be achieved in a competitive market by reflecting the efficient costs of training provision to the required standard.
  2. Allow the Government to predict and manage the impact on the budget in the situation where the funds available for VET are finite.
  3. Ensure that students and government make an appropriate contribution to the efficient costs of providing VET.
  4. Encourage optimal supply of and demand for VET having regard to a broad range of factors outlined in our terms of reference including:
    - the efficient costs of providing VET
    - the varied types of consumers, products and delivery methods
    - the quality of courses, qualifications and part-qualifications
    - the benefits of VET including public and private benefits as well as financial and non-financial benefits
    - the potential impact on enrolments and NSW's capacity to meet national and State Plan targets (see Appendix C for more information on these targets).
  5. Be adaptable over time to the possible extension of the entitlement to qualifications at Certificate IV and above and changes to the skills list.
  6. Be consistent with the principles of good regulation by:
    - ensuring that where possible, decisions are made by parties in the best position to make those decisions (avoid regulatory micro-management)
    - being practical, pragmatic and feasible
    - being simple and understandable
    - being proportionate with the problem.
- 

## **2.3      Process for this review**

The process we followed in conducting this review includes public consultation and detailed analysis. As part of this process, we released an issues paper in April 2013 that outlined our proposed approach to the review, discussed the key issues to be considered, and invited all interested parties to make a submission in response to this paper. We considered all submissions and stakeholder comments in making our draft recommendations.

We are now seeking submissions on this draft report and recommendations and invite comments from interested parties. Submissions are due by 27 August 2013. Late submissions will not be accepted. All submissions accepted will be published on our website when our final report is submitted to the Minister for Education. Details on how to make a submission can be found on page iii at the front of this report.

We will hold a stakeholder workshop on our draft report and recommendations in August 2013. We will consider all submissions and stakeholder comments we receive before finalising our report and recommendations. We will provide our final report and recommendations to the Minister for Education in September 2013. Following our advice, the Minister for Education will decide on the appropriate levels of subsidy and student fees.

## 3 Approach used to develop recommended methodology and advice

As Chapter 2 discussed, the terms of reference for this review specified the Government's requirements for a methodology and other advice for determining prices and fees under Smart and Skilled and the matters we should consider. We have developed a recommended approach to address these matters. This chapter discusses the approach we used to develop this methodology and advice, and provides an overview of the key decisions we made at each step of the approach.

### 3.1 Our analytical approach and key decisions

The analytical approach we used to develop our recommended methodology and other advice aims to ensure that this method and advice are logical and comprehensive, and take account of all relevant costs without double counting. The approach comprises 6 main steps. These steps and the key draft decisions we made at each step are outlined below.

#### 3.1.1 Step 1: Develop methodology to establish initial base prices and loadings and help identify thin markets and direct CSOs

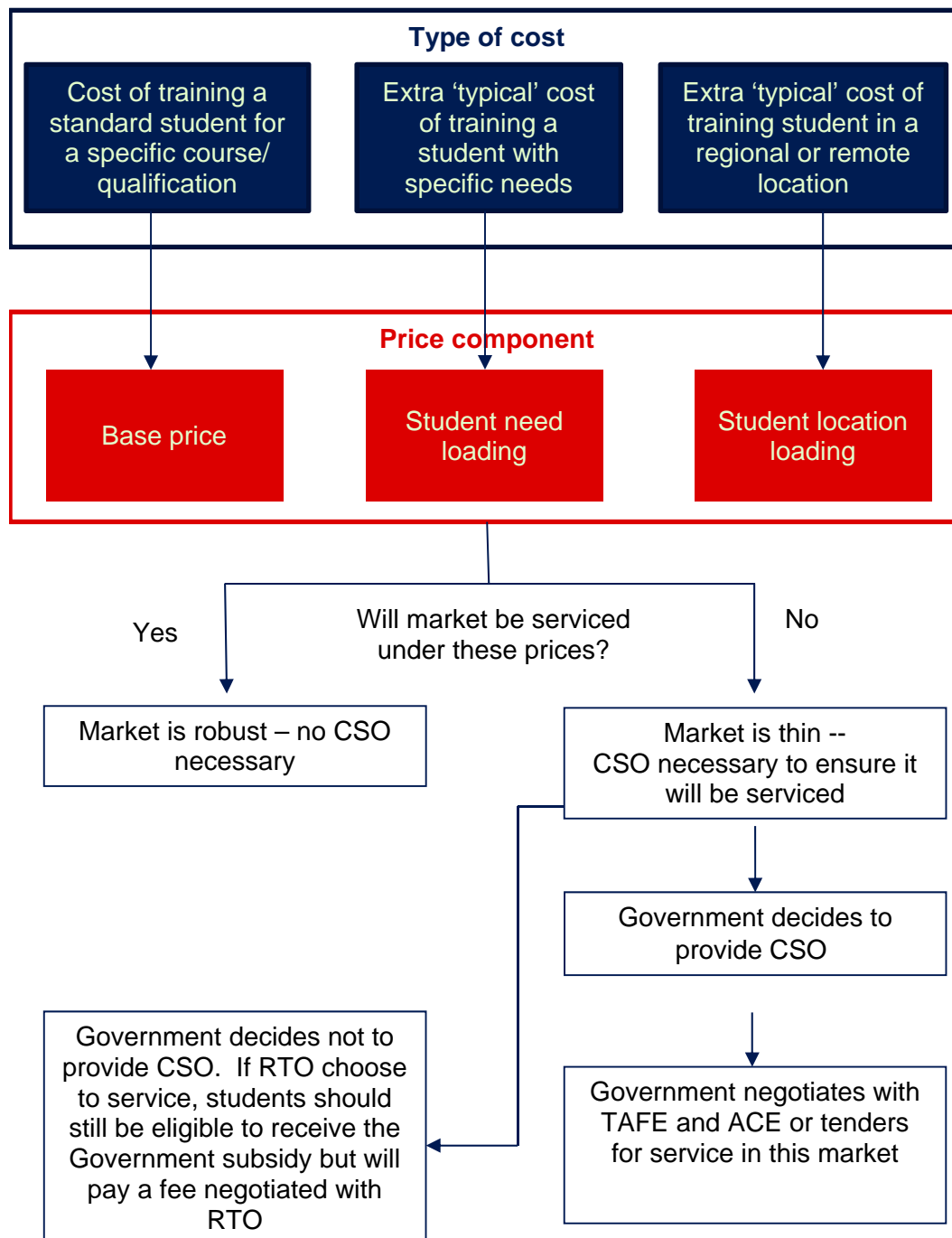
Our first step was to develop a methodology for establishing the base price and loadings in the first year of Smart and Skilled and to help identify thin markets and direct CSOs. This involved investigating and understanding the range of costs involved in providing VET to the required quality standard. We relied on available analysis on the efficient costs of delivery, plus further information provided by TAFE and private RTOs.

We found that these costs vary according to the course type (ie, the industry group it relates to) and qualification level, the student location and student needs, and whether the market is thin or robust. We made a draft decision that the costs driven by each of these factors should be reflected in one specific price or fee component, so there is no double-counting of costs. In particular, we decided that:

- ▼ **Base prices** should apply to individual courses or qualifications, and should cover the efficient costs of providing the training involved to ‘standard’ students (as opposed to ‘high cost learners’). This price should reflect the variation in costs driven by course type and qualification level. To do this, the methodology for setting base prices should take account of the level of qualification, and on the units of competency (UoC) that make up the qualification (both the industry the UoC fall into and the nominal hours associated with them).
- ▼ **Loadings** should be added to the base price when the student enrolled in the relevant course or qualification is considered to be a ‘high cost learner’. Specific categories of high cost learner should be established, and the loadings should reflect the ‘typical’ additional costs associated with providing training to students in that category. We have made a draft decision that high cost learners should include students who are located in regional or remote areas of NSW, and/or students who are Aboriginal or Torres Strait Islander (ATSI), have a disability, or are long-term unemployed.
- ▼ **CSOs** should be paid in certain thin markets, based on government priorities. These markets should be defined as any market that is too costly to supply for the available base price and loadings. Once these markets are identified, the Government will need to decide if it wants them supplied. It can then negotiate with TAFE and ACE providers. If the Government does not provide a CSO, students may choose to obtain training by paying the full commercial price. In these cases the Government should pay the same government subsidy and loadings these students would receive if they undertook equivalent training in a robust market.

Figure 3.1 summarises how the costs of different student types and in different locations will be captured through base prices, loadings and CSOs. It shows that under our recommended methodology, loadings and CSOs in thin markets are overlapping tools to account for the higher costs associated with providing training to particular groups of students and thus ensure that RTOs are willing to supply those students.

**Figure 3.1** How the costs of different student types and different locations will be captured through base prices, loadings and CSOs



### 3.1.2 Step 2: Develop methodology for determining the share of the base price to be recovered through student fees

Our second step was to develop a methodology for determining the share of the base price to be recovered through student fees and the share to be funded through government subsidy.<sup>33</sup> This involved:

- ▼ examining the private and public benefits that accrue when a student undertakes VET and their relative value, and considering the level of student fee and government subsidy this relativity may justify
- ▼ considering the characteristics of the VET sector and whether these justify additional government subsidy
- ▼ considering the costs and benefits of undertaking VET compared to study at university and the level of student fee and government subsidy this relativity may justify
- ▼ deciding on an appropriate sharing of the base prices to be recovered through student fees and the government subsidy for students undertaking both initial and subsequent qualifications, and
- ▼ considering whether student fees should be specified as maximum fees.

We made draft decisions that students would pay no more than 40% of the base price for their initial qualification, and no more than 45% for subsequent qualifications.

### 3.1.3 Step 3: Consider the fee arrangements for students currently eligible for a concession fee or apprenticeship/new entrant traineeship fees

Currently some VET students are currently eligible for additional government subsidies through a concession or apprenticeship/new entrant traineeship. Our third step was to consider the fees arrangements for these students under Smart and Skilled. Under our recommended arrangements:

- ▼ Concession students would continue to receive additional subsidies in recognition of their lower capacity to pay for VET. Concession students doing higher level qualification would pay more in recognition of the longer duration of training at these levels.
- ▼ Apprentices and new entrant trainees would transition towards paying fees that are consistent with other students. However, during the first year of Smart and Skilled, fees for apprentices and new entrant trainees would be capped at \$3,000. This cap would be increased by \$1,000 each year.

<sup>33</sup> Note that the terms of reference indicated that student fees should recover a share of the base price only – loadings are to be funded by government subsidy.

#### **3.1.4 Step 4: Consider the impact of our recommended methodologies and arrangements on students and government**

Before we finalised our recommended price and fee arrangements, we assessed their impacts for students and the NSW Government. Given there is a defined budget for training, we also considered the trade-off between higher student fees and amount of training that can be funded.

#### **3.1.5 Step 5: Develop a payment structure for government and student contributions**

Our fifth step was to develop a payment structure, which governs when students and the Government pay their contributions to base prices to RTOs. We made draft decisions that:

- ▼ the timing of payments by the Government to RTOs should be based on the principle that revenues to training providers should be matched to their costs
- ▼ RTOs should be able to determine when student fees are paid.

#### **3.1.6 Step 6: Develop arrangements for adjusting prices and fees in future years**

Our final step was to develop arrangements for adjusting the initial base prices and student fees under Smart and Skilled in future years. The efficient costs of providing VET, as well as the benefits it yields, will change over time. It is important that the initial prices and fees be adjusted periodically to ensure they continue to reflect these costs and an appropriate sharing of costs between government and students.

Under our recommended arrangements:

- ▼ base prices and student fees would be adjusted annually by the average change in CPI
- ▼ a major review to reset base prices and student fees would be conducted in time for the new prices and fees to apply from 1 January 2018, and then every 3 years
- ▼ a separate review to consider whether student fee regulation could be relaxed or removed should be undertaken in time for any new arrangements to apply 1 January 2019.



## 4 Base prices

As Chapter 3 discussed, our first step included developing a methodology for determining base prices for individual courses and qualifications in the first year of Smart and Skilled. In line with our assessment criteria for this review, this methodology should aim to replicate the price outcomes that would be achieved in a fully competitive market. In particular, we think it should set the base price based on the efficient costs of providing training to a standard student to the required quality standard. At the same time, the methodology should be reasonably simple to administer and help the Government predict and manage its implications for its VET budget.

We have developed a draft methodology for determining base prices that meets these criteria. The section below provides an overview of this methodology, including how we have defined ‘efficient’ costs, a ‘standard’ student and the ‘required quality standard’. The subsequent sections provide more detail on:

- ▼ what costs should be recovered through base prices
- ▼ how our draft methodology captures these costs and accounts for the variations in costs associated with different course types and qualification levels
- ▼ why our draft methodology does not account for variations in costs associated with different modes of delivery
- ▼ the sources of information and analysis we relied on to understand and estimate the efficient level of costs to be recovered in base prices.

Appendix I provides an illustrative list of base prices produced using our draft methodology for a selection of qualifications currently subsidised by the Government.<sup>34</sup>

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<sup>34</sup> Note that the skills list that will determine eligibility for government funding under Smart and Skills has not yet been released. The qualifications we selected to illustrate base price outcomes under our draft methodology will not necessarily be on that list.

## 4.1 Overview of draft methodology for determining base prices

We consider that base prices should cover the ‘efficient’ costs of providing training to a ‘standard’ student to the ‘required quality standard’. (Box 4.1 defines these key terms.) These costs include teacher costs, course-specific costs (such as facilities, equipment and teaching supplies), recurrent costs (such as administrative staff, utilities) and capital costs (captured through a margin on operating costs). They do not include any personal costs a student might incur (such as text book and personal equipment costs).

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### Box 4.1 Definitions of efficient costs, standard students, and the required quality standard

**Efficient costs** mean the type and level of costs that would be incurred by an RTO operating in a fully competitive market. We did not conduct our own efficiency review to estimate these costs. We used available information and analysis on the costs incurred by TAFE and private RTOs. We excluded costs that would not be incurred by an RTO in a competitive environment. Section 4.5 provides further information on the type of costs we excluded.

**A standard student** is any student who does not meet the definition of a high cost learner.<sup>a</sup> Chapter 5 discusses how we have defined these learners. Implicitly, this definition means that standard students include all those located in metropolitan NSW who are not Aboriginal or Torres Strait Islander, do not have a disability, and are not long-term unemployed.

**The required quality standard** is regulated by the Australian Skills Quality Authority through the National VET Regulator Framework, and by the NSW Department of Education and Communities through the Smart and Skilled Quality Framework. Chapter 12 provides more information on these frameworks.

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<sup>a</sup> As Chapter 3 indicated, the additional costs associated with training a ‘high cost learner’ to the quality standard should be reflected in loadings (which are added to the base price).

The base price for each course and qualification on the skills list should be established by applying a variable cost (\$/nominal hour) to the UoCs that make up the qualification and the nationally agreed nominal hours for delivering these UoCs, and adding an efficient fixed cost (\$/enrolment). To ensure that the base price best reflects the costs of delivering training in different industries and at different qualification levels, there should be:

- ▼ 25 different variable costs (\$/nominal hour) that apply to ‘standard’ UoCs in 25 different industry groups. These costs should range from \$4.25 per nominal hour (for UoCs in the Sport and recreation industry group) to \$11.81 per nominal hour (for UoCs in the Vehicle body industry group). Note that qualifications that include UoCs from different industries would reflect the different costs associated with these different industries.

- ▼ 10 variable costs (\$/nominal hour) that only apply to 'high cost' UoCs within the same 25 industry groups. These UoCs include those that are more costly to deliver because they require expensive equipment or higher teacher hours. These variable costs should include a premium of between 10% and around 35% on top of the cost for a 'standard' UoC in the same industry group.
- ▼ 5 different fixed costs (\$/enrolment) that apply to different qualifications levels. These should range from \$500 per enrolment (for Foundation skills courses other than Certificate I) to \$4,400 per enrolment (for Diplomas and Advanced Diplomas).

The total base price for a qualification should be built up based on a typical combination of UoCs. Over time, DEC should collect information on the combinations of UoCs offered by RTOs, and consider whether the differences between these and the typical combinations warrant changing the way base prices are set.

We also think that base prices should not vary with the mode of delivery. This means that the same base price would apply regardless of whether training is delivered through to face-to-face learning in a class room, in the workplace, or remote learning.

## 4.2 What costs should be recovered through base prices

To provide VET, RTOs incur a range of costs associated with the use of teachers, administrative staff, facilities, equipment and teaching supplies. The level of these costs vary because some courses and qualifications require very little specialised equipment and teaching supplies, while others require a substantial amount. For example, a business qualification requires mainly teacher time, classroom facilities and access to computers. In contrast, some hospitality qualifications require access to specialised equipment such as kitchen facilities, equipment and supplies. We consider the base prices should include all course-related costs and take account of the variations in these costs by course and qualification. Specifically, base bases should include:

- ▼ **Teacher costs.** These depend on teacher time required to deliver each course.
- ▼ **Course-specific costs** (such as facilities, equipment and teaching supplies). These costs can be recurring or operating costs (eg, cooking ingredients) or capital costs (eg, kitchen facilities).
- ▼ **Shared costs.** These can be recurring or operating costs (eg, administrative staff salaries, utility bills) or related to shared capital costs.

Capital costs include both depreciation ('using up' the asset over time), a return on the asset and tax – all of which can be captured through a margin on operating costs. We have decided to incorporate an allowance for these capital costs into our methodology for setting base prices by applying a margin to operating costs. In many industries, this is the way these costs are implicitly incorporated into prices. It also avoids having to estimate an efficient valuation of the assets used to deliver VET.

We also note that the inclusion of a margin in base prices has implications for how funds are allocated to TAFE NSW under Smart and Skilled. If TAFE continues to receive a capital budget and/or have any depreciation costs included in its operating base funding, there is potential for double-counting of these costs. The Government should ensure that it identifies and monitors the fund flows associated with funding TAFE's capital costs to ensure double-counting is avoided.

We also note, in response to stakeholder comments, base prices should not cover any costs incurred by the student. These include the costs of text books and other personal equipment (such as clothing or tools), or the costs associated with student associations.

### **4.3 How our draft methodology captures these costs and accounts for cost variations by course and qualification**

Once we considered and defined the types of costs of delivering VET, we developed a methodology to best reflect these costs at a course and qualification level. This methodology involves:

1. Establishing an efficient variable cost (\$/nominal hour) per UoC that accounts for the differences in the costs of UoCs for different industry groups, and for 'standard' and 'high cost' UoCs within some of these groups.
2. Establishing an efficient fixed cost (\$/enrolment) per qualification level that accounts for the differences in costs associated with different qualification levels.
3. Building up the base price applying the relevant variable cost to the nationally agreed nominal hours for each UoC included in the course or qualification.

### 4.3.1 Establishing an efficient variable cost (\$/nominal hour) per UoC

In our issues paper, we set out 2 options for how variable costs should be captured in our methodology. These options involved different levels of complexity, both to derive a variable cost in \$/nominal hour terms and to implement and administer:

- ▼ **Option 1:** Under this option, **courses and qualifications** are assigned to an industry group. Industry groups can be defined broadly or narrowly. Each industry group is then allocated an efficient variable cost (\$/nominal hour). The variable price for a qualification is calculated by multiplying the efficient variable cost for the course or qualification's industry group by the nominal hours required to deliver the qualification. This method is fairly simple and straightforward.
- ▼ **Option 2:** under this option, **units of competency** are assigned to an industry group. Each industry group allocated an efficient variable cost (\$/nominal hour). The variable price for a qualification is calculated by multiplying the variable cost (\$/nominal hour) for each UoC it includes by the nominal hours associated with this UoC, and summing these up. This method means that base prices for qualifications that include UoCs from different industries better reflect the costs of delivering the training involved. However, it is more complex than Option 1.

A small number of stakeholders favoured option 1 where qualifications are assigned to an industry group.<sup>35</sup> For example, TAFE Community Alliance noted that although Option 2 is fairer, it would be extremely complex and hence it favoured Option 1.<sup>36</sup> However, most stakeholders supported Option 2 where UoCs are assigned to an industry group.<sup>37</sup> These stakeholders argued that mapping qualification to industries is too broad, and that Option 2 would be more accurate and would ensure that more costly UoCs are provided.

We also consider that Option 2 is more appropriate as it will produce more cost-reflective base prices per qualification than Option 1. We consider that in the longer term, the costs associated with the greater complexity of this option are outweighed by the benefits of having a more cost-reflective base price.

<sup>35</sup> Bannister Technical (BT), Submission to Issues Paper, May 2013, p 5 and VNCA, Submission to Issues Paper, May 2013, p 2.

<sup>36</sup> TAFE CA, Submission to Issues Paper, May 2013, p 9.

<sup>37</sup> SSNSW, Submission to Issues Paper, May 2013, p 3; Hunter Mechanical Employers Network (HMEN), Submission to Issues Paper, May 2013, p 1; TAFE WSI, Submission to Issues Paper, May 2013, p 3; TAFE SWSI, Submission to Issues Paper, May 2013, p 3; Southbound Adventures (Southbound), Submission to Issues Paper, May 2013, p 1 and Submissions to Issues Paper from individuals: Ostermann, May 2013, p 1; Shanley, May 2013, p 1 and Cue, April 2013, p 1.

Nevertheless, we recognise that in the shorter term, we need to recommend a methodology that best balances the assessment criteria for this review (discussed in Chapter 2). In addition to being cost reflective, these include being simple and understandable and allowing the Government to predict and manage the impact on the budget where there is a finite amount of funds available for VET.

Given this, our draft methodology represents a compromise between Options 1 and 2. This method assumes that each course or qualification comprises a 'typical' combination of UoCs, rather than the specific combination an individual RTO offers. We have information on the typical combination of UoCs for some qualifications. DEC will develop the typical combination of units for all qualifications.

However, as in any market where prices are regulated, there is a risk that RTOs will seek to increase their profits by reducing quality of the training they provide. The training hours per qualification will vary with UoCs selected as some electives take longer to deliver than others. For example, the nationally agreed nominal hours for a Certificate II in Civil Construction ranges from 346 to 690 hours depending on which electives a student selects. Under our recommended methodology, one way an RTO could increase profits would be to deliver a qualification using the shortest and/or cheapest UoCs.

We consider that DEC should collect information of the elective UoCs that RTOs offer per course or qualification, and assess how these differ from the typical combination of UoCs that has been used to set base prices. If it finds that RTOs offer significantly different combinations, DEC should consider transitioning to base prices that better reflect these alternative combinations.

Concerns have also been recently expressed about variability in the depth and duration of VET and reported instances of improbable timeframes for weekend qualifications.<sup>38</sup> To address this, we consider that RTOs report to DEC on the number of actual hours of supervised training delivery for a qualification. This information would be used to alert DEC to instances where an RTO is delivering training well out of the normal bandwidth of hours of delivery for that qualification.

We acknowledge the variability in time taken to deliver a qualification due to a student's background and ability as well as the electives taken. We recognise that students are not homogenous, and can require different amounts of training to gain their qualification. It is therefore important that the approach taken to assessing this information is flexible. However, it is important that the amount of supervised training be monitored so quality can be investigated where this amount is outside the norm. It is our view that any significant deviations from the range could then be a signpost for the need for DEC to investigate further.

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<sup>38</sup> These concerns are discussed for example, in NSSC, 2013, *Improving Vocational Education and Training – the case for a new system*, pp 10-12.

### Determining the industry groups for calculating variable costs

As there are more than 40,000 UoCs, it would be impractical and unnecessary to calculate an efficient variable cost (\$/nominal hour) for each UoC. Instead, we have combined the UoCs into 25 industry groups based on their cost drivers (shown on Table 4.1, below).

These groups are the same as those currently used by TAFE NSW. It has provided us with confidential information on its costs which enabled us to investigate cost drivers of training in these groups (see section 4.5.1). We consider that these industry groups provide an appropriate balance between reflecting different cost drivers between industries and the complexity of having more groups.

### Accounting for 'high cost UoCs'

While these industry groupings account for the differences in costs across different industries, some UoCs within certain industry groups have very high costs. For example, this may be because they require expensive equipment and/or require a high teacher hours. We consider that these higher costs should be accounted for by distinguishing between 'standard cost UoCs' and 'high cost UoCs'. The variable cost for high cost UoCs should include an additional premium on the 'standard' levels, as shown in Table 4.1.

We have identified a set of UoCs which we consider to have higher costs. These are listed in full in Appendix J, and we seek stakeholder comment on these UoCs. In identifying them, we had regard to the UoCs that TAFE considers to be high cost as well as information from the Strategic Skills Program tender data. We consider that that a premium of between around 10% and 35% is appropriate for these UoCs.

**Table 4.1 Variable cost by industry area (\$ per nominal hour)**

Industry group	Standard UoCs	High cost UoCs
Access	5.22	-
General education	6.16	-
Learner support	11.80	-
Arts	5.61	-
Design	6.56	-
Media	6.68	8.88
Printing	10.31	13.65
Building services	7.71	-
Building construction	10.13	11.34
Electrotechnology	8.33	-
Administration services	4.69	-
Business services	5.14	-
Community services	4.81	6.39
Health services	6.51	8.67
Sport and recreation	4.25	-
Hairdressing & beauty therapy	7.24	-
Information technology	5.74	-
Primary industry	5.73	6.87
Manufacturing	9.12	-
Mechanical technology	8.56	9.45
Travel, tourism & event management	5.05	-
Hospitality services	7.93	10.11
Transport	8.81	9.85
Automotive	8.02	-
Vehicle body	11.81	-

#### 4.3.2 Establishing an efficient fixed cost (\$/enrolment) per qualification level

We also considered whether the fixed costs (\$/enrolment) should be charged at the same level for all qualifications or whether higher level qualifications should pay more than lower level qualifications. We did not specifically seek comment on this area as part of our issues paper.

It is our view that we should allocate the fixed costs to qualification levels based on an estimate of the 'intensity' of use of VET services. We have had regard to information on the intensity of use based on TAFE data on annual student hours (ASH) and typical time to complete. Table 4.2 summarises our draft recommendations on the resulting fixed costs for each level.



**Table 4.2 Recommended fixed costs per enrolment (\$/enrolment)**

Qualification level	\$/enrolment
Foundation ( <i>not</i> Certificate I)	500
Foundation skills (Certificate I)	1,000
Certificate II	1,500
Certificate III and Certificate IV	3,000
Diploma and Advanced Diploma	4,400
Part qualifications and skill sets	500

### 4.3.3 Building up the base price applying the relevant variable cost to the nationally agreed nominal hours for each UoC

We consider that hours that should be applied to the variable costs of training should be the nationally agreed nominal hours for each UoC. Nationally agreed nominal hours are developed as part of National Skills Standards Council Training Packages. They are published for UoCs by Victoria as part of its Purchasing Guide for each Training Package. In these Purchasing Guides, nominal hours are defined as:

...the anticipated hours of supervised learning or training deemed necessary in order to adequately present the educational material...<sup>39</sup>

We consider that using these nationally agreed nominal hours will ensure that the base prices cover sufficient training hours to meet the required quality standard. We recognise that, in practice, the actual hours taken by a student will vary based on factors such as the student's aptitude and ability. However, on average, these hours should reflect the typical amount of time taken by a standard student to complete a UoC and qualification.

### 4.4 Why our draft methodology does not account for cost variations associated with modes of delivery

In developing the above methodology, we considered whether base prices should vary based on the mode of delivery – eg, whether they involve face-to-face learning in a classroom or workplace, remote learning using eLearning resources and web-based communication, or a combination of modes.

<sup>39</sup> NSCC, *Discussion paper Production of nominal hours for training packages*, November 2011, p 5.

Some stakeholders argued that we should take account of different modes of delivery to reflect different costs.<sup>40</sup> However, most argued that we should not. Several argued that online and flexible delivery are not necessarily cheaper than traditional face-to-face delivery.<sup>41</sup> Flexible delivery can often require similar 'time' to classroom-based learning, and similar teacher time to prepare up-to-date resources, provide ongoing input, support and feedback, as well as assessments of students.<sup>42</sup> In addition, TAFE Western Institute and Blue Mountains Adventure Company argued that the decision to adopt online and flexible delivery options should not be from a financial perspective, rather than what best meets the needs of the learner.<sup>43</sup>

On balance, we consider that the methodology should not differentiate between modes of delivery because different modes can have similar costs, and differentiating between modes may encourage RTOs to use the cheapest option, rather than the mode most suitable for the student.

#### **4.5 Information and analysis we used to understand and estimate efficient costs**

For this review, we have not conducted our own efficiency review of the costs incurred by TAFE NSW and private RTOs in training standard students to the required quality standard in NSW. Rather, we have relied on the existing information on the efficient costs of VET that has been made available to us, and that we were required to consider by our terms of reference. We have excluded costs that would not be incurred by an RTO in a competitive environment.

Based on our analysis of these information sources, we consider that the levels shown in Tables 4.1 and 4.2 above are appropriate for setting base prices under Smart and Skilled. We note they exclude any costs incurred by TAFE NSW that should be funded through its operational base funding (see section 4.5.3). In addition, as Chapter 3 indicated, they exclude the costs associated with training high cost learners, and the costs to be funded through CSOs to be paid in thin markets.

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<sup>40</sup> HMEN, Submission to Issues Paper, May 2013, p 3.

<sup>41</sup> Auswide Colleges (Auswide), Submission to Issues Paper, April 2013, p 2; TAFE CA, Submission to Issues Paper, May 2013, p 9; TAFE WI, Submission to Issues Paper, April 2013, p 2.

<sup>42</sup> VNCA, Submission to Issues Paper, May 2013, p 3.

<sup>43</sup> TAFE WI, Submission to Issues Paper, April 2013, p 2 and Blue Mountains Adventure Company (BMAC), Submission to Issues Paper, May 2013, p 1.

The section below discusses the information and analysis we used, which include:

- ▼ available analysis on the efficient costs from previous reviews of the cost of providing VET
- ▼ inter-related work on the VET Budget and Funding Model and its treatment of CSOs paid by the NSW Government and operational base funding costs for TAFE NSW to support its operations as a public institution
- ▼ information from TAFE NSW and private providers on the costs of delivering VET
- ▼ information on an appropriate margin to apply to operating costs
- ▼ prices revealed through the 2011/12 Strategic Skills Program (SSP) tender process for VET provided through the contestable market.

#### 4.5.1 Previous reviews of the costs of providing VET

As previously noted, around 80% of the government-funded VET market is currently serviced via direct purchasing from TAFE NSW.

We have had regard to several recent external reviews of TAFE that have been conducted, including the 2012 Commission of Audit and a confidential review of TAFE NSW undertaken by the Allens Consulting Group in 2012. The Commission of Audit identified potential savings for TAFE in several areas including:

- ▼ around \$160 to \$170 million through improved asset utilisation and greater local autonomy over financial management and staffing
- ▼ \$30 to \$60 million through negotiating agreements and awards that affect teaching hours and the balance between preparation and teaching.

#### 4.5.2 VET Budget and Funding Model

As required by our terms of reference, we had regard to inter-related work on a VET Budget and Funding Model that is being undertaken concurrently with our review. Among other things, this work has identified and mapped TAFE NSW's costs into various funding streams that reflect the Smart and Skilled reforms – including entitlement funding, purchased training funding, CSOs and operational base funding.

Operation base funding (OBF) costs are defined as the costs incurred by TAFE as a result of the competitive disadvantage arising from public ownership. The costs incurred by TAFE as a result of the competitive disadvantage arising from public ownership should not be included in base prices. Since they will be funded through OBF, including them would mean that these costs are 'double counted' under Smart and Skilled. It would also mean that the base prices do

reflect the costs that would be incurred in an efficient market. The VET Budget and Funding Model have identified the following costs:

- ▼ additional teaching costs resulting from workplace and industrial relations agreements
- ▼ additional reporting requirements
- ▼ additional costs associated with maintaining assets that TAFE NSW is required to keep under heritage agreements.<sup>44</sup>

TAFE NSW costs associated with CSOs have also been identified as part of this work. CSOs that were identified include:

- ▼ support for student with a disability including disability co-ordinators
- ▼ support for Aboriginal and Torres Strait Islander (ATSI) students, including ATSI coordinators and counsellors
- ▼ outreach coordinator and counselling costs.<sup>45</sup>

As Chapter 3 discussed, the costs associated with providing these types of support should be captured through CSOs and not included in base prices.

#### 4.5.3 Information from TAFE NSW and private RTOs on costs of VET

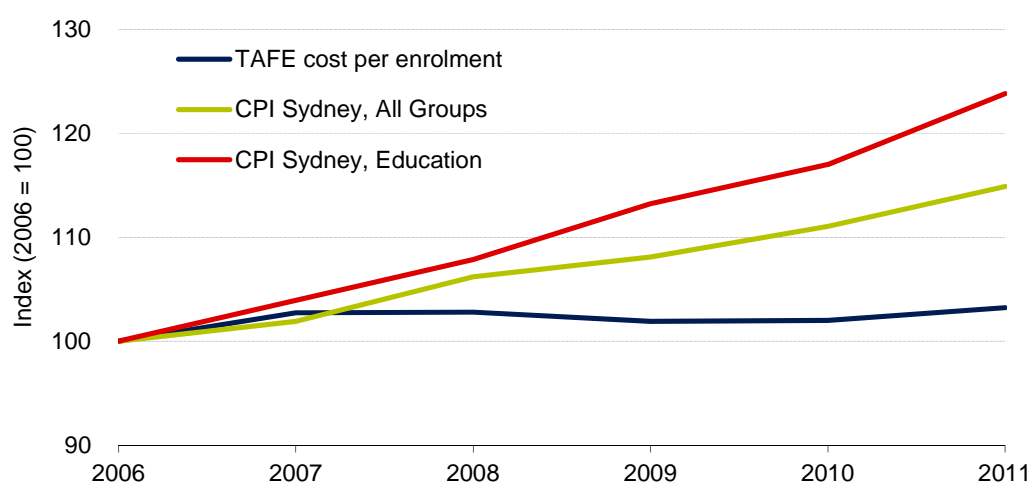
We had regard to information provided by both TAFE NSW and private RTOs on the costs of delivering VET. TAFE provided us with confidential estimates of its fixed and variable costs, which was derived from its Resource Allocation Model for 2011 and student data for 2012. TAFE also provided data on its costs per enrolment since 2006.

TAFE has achieved efficiency improvements over the past 10 years in the cost of delivering training per enrolment. TAFE's cost per enrolment has been maintained in nominal terms since 2006 compared with the increase in the CPI which has increased by 15% over this period. The CPI for education has increased by over 20% (see Figure 4. 1).

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<sup>44</sup> Information provided by DEC.

<sup>45</sup> Information provided by DEC.

**Figure 4.1 TAFE cost per enrolment since 2006**

**Data source:** TAFE NSW; ABS Catalogue Number 6401.0, Consumer Price Index, Australia. IPART analysis.

These efficiency improvements have been made at the same time as teachers wages have been increasing. A review by the Productivity Commission in 2011 in pay rates and conditions for teachers concluded that TAFE NSW teachers are paid higher salaries, have fewer salary bands and fewer teaching hours, compared with other states and the modern award applying to VET teachers working for private training providers.<sup>46</sup>

We also sought and received information from a selected group of private providers on the costs they incur in providing qualifications.

#### 4.5.4 Information on an appropriate margin

We have considered several sources of information on the appropriate margin for VET providers. On balance, we consider a margin of 15% should be applied to operating costs when calculating base prices.

Gross operating surplus for the education sector in 2008/09 was 10% of the value of production or 11% of non-capital costs (Table 4.3). We note that this may understate the gross operating surplus if the sector were wholly private, as the gross operating surplus for services that are government-provided reflects depreciation but not a return on capital.

<sup>46</sup> Productivity Commission 2011, *Vocational education and training workforce*, Research report; reported in Allen Consulting Group 2012, Review of TAFE NSW, p 53.

**Table 4.3 Cost structure of the education sector, Australia 2008/09**

Item	Value (\$m)	Share of value of production (%)
Compensation of employees	45,526	63.0
Gross operating surplus and mixed income	7,177	9.9
Intermediate inputs	18,918	26.2
Taxes and subsidies on production	645	0.9
Value of production	72,266	100.0

**Source:** ABS 5209.0.55.001 Australian National Accounts: Input-Output Tables - 2008-09.

The ABS collects information for the industry sub-division adult, community and other private education for Australia. This includes some activities that would be considered outside of VET, but is focused only on private businesses. (The value of these businesses' production is around 60% of that of the Australian VET sector.)

For the 5-year period to 2010/11, the ABS estimates that this industry sub-divisions earnings before interest, tax, depreciation and amortisation (EBITDA) accounted for 12% to 23% of its expenses – or an average EBITDA of 18.7% (Table 4.4). The ABS notes that these estimates have a standard error of 25% to 50%.

**Table 4.4 EBITDA for private adult, community and other education providers, Australia**

Year	Expenses (\$m)	EBITDA (\$m)	EBITDA/expenses (%)
2006/07	3,591	444	12.4
2007/08	3,487	813	23.3
2008/09	3,992	618	15.5
2009/10	4,173	791	19.0
2010/11	4,353	998	22.9
Average	3,919	733	18.7

**Source:** ABS 81550DO001\_201011 Australian Industry, 2010-11.

We also sought information from private VET providers to understand how they account for capital costs in their pricing. This information implies a margin of approximately 10% to 20% of operating costs.

#### 4.5.5 Prices from the 2011/12 SSP contestable market tender

As Chapter 2 indicated, under the SSP training is purchased using competitive tendering. Each year, DEC issues a tender to purchase training for courses and qualifications in priority areas. For courses and qualifications other than apprenticeships and traineeships, RTOs bid the price (or government subsidy) at which they are willing to provide a course, qualification or UoC. They also provide bids on the loadings for specific student groups (eg, those with special needs), small class sizes and rural and regional locations.

The data from the 2011/12 competitive tender include bids from NSW TAFE Institutes, ACE providers and over 700 private RTOs.<sup>47</sup> We have interrogated this data and used it to 'market test' the base prices our proposed methodology produces.<sup>48</sup> In some instances we have adjusted our fixed and variable costs to ensure the base prices they produce are consistent with the market data. Our recommended variable and fixed costs produce base prices that are consistent with this tender data.

#### Draft recommendations

- 1 Base prices should reflect the 'efficient' costs an RTO will incur in providing training that meets the 'required quality standard' to a 'standard' student including:
  - teacher costs
  - course-specific costs (such as facilities, equipment and teaching supplies)
  - recurrent costs (such as administrative staff, utilities)
  - capital costs (captured through a margin on operating costs).
- 2 The base price for each course and qualification on the skills list should be established by applying a variable cost (\$/nominal hour) that reflects costs driven by the combination of UoCs the qualification involves, and a fixed cost component (\$/enrolment) that reflects costs driven by the level of the qualification. The base prices should be established by:
  - applying the relevant variable cost (\$/nominal hour) for each UoC it involves to the nationally agreed nominal hours for delivering that UoC
  - summing these amounts to derive the total variable cost, and
  - adding the relevant fixed cost (\$/enrolment).

<sup>47</sup> IPART analysis of contestable market tender data.

<sup>48</sup> The data will be used in line with data protocols and analysed only for the purposes of informing our review. We will not disclose any commercially sensitive data or information about a contracted public or private provider.

- 3 For the purpose of establishing the total variable cost to be included in the base price:
  - UoCs should be categorised into 25 different industry groups based on their cost drivers
  - the variable cost of ‘standard’ UoCs in each of these industry groups should be estimated
  - the variable cost of ‘high cost’ UoCs in 10 of these industry groups should also be estimated. This cost should include a premium of between 10% and around 35% on top of the cost for a ‘standard’ UoC in the same industry group
  - the estimated variable costs shown in Table 4.1 should apply from 2014/15
  - the combination of UoCs involved in the course or qualification should be assumed to be a typical combination of UoCs for that course or qualification, at least in the first few years of Smart and Skilled.
- 4 For the purpose of establishing the fixed cost to be included in the base price:
  - courses and qualifications should be categorised into 5 groups based on the typical amount of time taken to complete them
  - the fixed cost of this amount of training time should be estimated
  - the estimated fixed costs shown in Table 4.2 should apply from 2014/15
  - 5 different fixed costs (\$/enrolment) that apply to different qualifications levels. These should range from \$500 per enrolment (for Foundation skills courses other than Certificate 1) to \$4,400 per enrolment (for Diplomas and Advanced Diplomas).
- 5 Base prices should not vary with the mode of delivery.
- 6 DEC should collect information on the combinations of UoCs RTOs offer for each course and qualification, to assess how these differ from the typical combination of UoCs and whether the differences warrant making changes to the approach for establishing the variable cost component of base prices.
- 7 DEC should collect information on the UoCs and actual hours of training RTOs deliver per course and qualification, to ensure the base prices remain cost-reflective and identify where RTOs may be compromising the quality of training they deliver and further investigation may be warranted.



## 5 Loadings to account for higher cost learners

Once we established our recommended approach for establishing the base price for each VET qualification to reflect the efficient costs of providing the course for standard students, our next step was to establish what loadings should be added to the base price. Loadings recognise that not all students are 'standard', and that providing training for certain students involves additional costs – for example, due to their location or individual needs.

The section below provides an overview of our draft recommendations on loadings. The subsequent sections discuss our definition of loadings, and how we decided what loading categories and levels should be included in our recommended price arrangements.

### 5.1 Overview of draft recommendations on loadings

We consider that a loading should be applied to the base price for the relevant qualification (\$/hour and \$/enrolment) when the student is located in a regional or remote area of NSW, and/or is an Aboriginal or Torres Strait Islander, has a disability, or is long-term unemployed.

The level of the loading should reflect the typical additional cost associated with providing training to students in the relevant loading category. We consider the following loadings and levels are appropriate:

- ▼ Location loading –10% for students located in regional areas; 20% for students located in remote areas.
- ▼ Needs loading – 10% for students who are Aboriginal or Torres Strait Islander, have a disability, or are long-term unemployed.

In addition, we consider that the training provider should be able to claim a maximum of 1 location loading and 1 needs loading per student. While there are additional costs associated with providing training to students in regional and remote locations and for students with additional needs we consider that 2 loadings should provide sufficient funding to ensure appropriate training where students have multiple needs.

Given this view, we have defined loadings as an amount added to the base price to reflect the typical additional cost associated with providing training to specific categories of higher cost learners. These loadings are intended to ensure that RTOs are compensated for these additional costs, and so are willing to provide services to these students.

Some stakeholders also pointed out that the additional costs associated with higher cost students vary widely, depending on their individual needs and circumstances. We recognise that the base price plus loading(s) will not be sufficient to cover the costs of training **all** higher cost students. In these cases, the additional costs would, if the Government chooses, be provided through CSOs. Our recommended arrangements for CSOs are discussed in Chapter 6.

## 5.2 Student categories for loadings

As indicated above, we consider that loadings should be applied to the base cost to reflect the additional costs associated with students due to:

- ▼ their location – ie, when they live in a regional or remote area of NSW, and/or
- ▼ their needs – when they are Aboriginal or Torres Strait Islander, have a disability, or are long-term unemployed.

Stakeholders generally agreed that training these categories of students is associated with higher costs, and there is evidence to support this view. These categories are similar to loading categories under the Strategic Skills Program, which included a location-based loading (for students in regional or remote areas) and a needs-based loading (students who are long-term unemployed or have special needs).

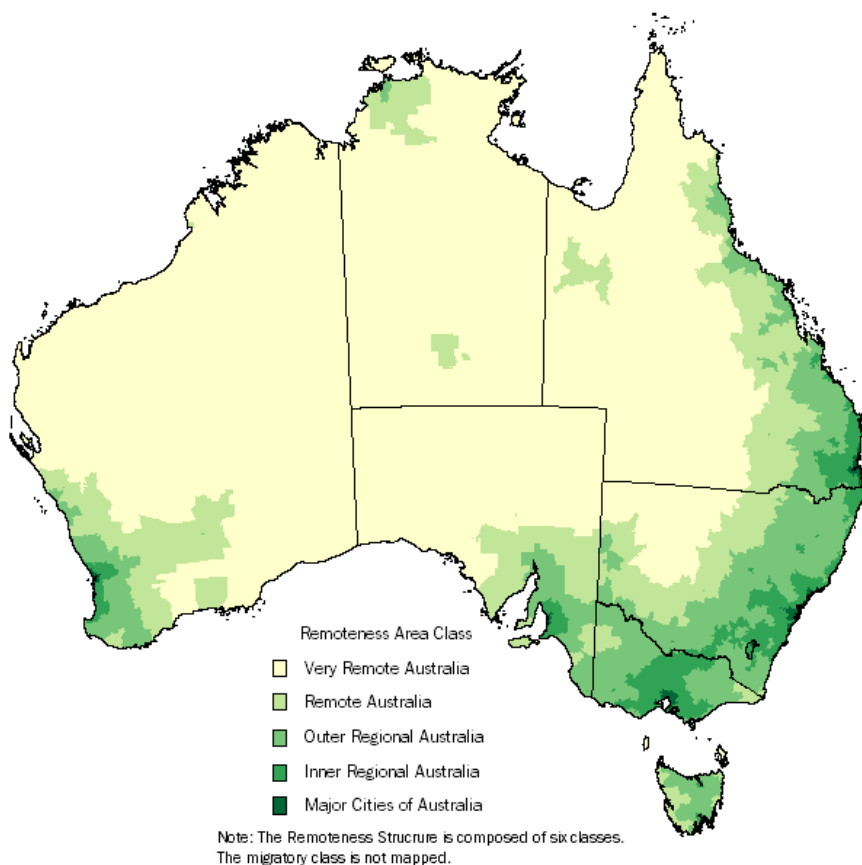
### 5.2.1 Location loading for students in regional and remote areas

To define the location loading, we considered 2 main questions. The first was whether the loadings should be based on the location of the student or the training facility. We decided it should be based on the location of the student. This is because RTOs may not necessarily establish training facilities in regional and remote areas to meet the needs of these students – for example, a trainer might travel to a remote location to deliver part of the training, a student might do part online, or a student might do an intensive course at a facility in another location.

The second question we considered was how to determine a student's eligibility for the location loading. We decided that the student's location should be established using the postcode of their home address. Then we considered 2 ways to categorise locations:

- ▼ The approach used by the Strategic Skills Program, which identified geographic areas by statistical subdivisions, and then categorised them as either metropolitan, regional or remote.
- ▼ The approach used by the Australian Bureau of Statistics (ABS), which identifies smaller geographic areas based on ABS definitions, and then categorises them into 5 remoteness areas, from major city to very remote (Figure 5.1).

**Figure 5.1 Australian Bureau of Statistics remoteness area classes**



**Source:** ABS, <http://www.abs.gov.au/websitedbs/d3310114.nsf/home/remoteness+structure>, accessed 6 June 2013.

We do not have sufficient information to determine precisely what location categories most closely align to the costs and cost differences of providing training. For simplicity, we decided to use 3 major categories, and to define them with reference to the ABS remoteness area classes (Table 5.1).

**Table 5.1 Recommended location categories for the purpose of loadings**

Location category	Definition based on ABS remoteness area classes
Metropolitan	Major cities
Regional	Inner regional
Remote	Outer regional, remote and very remote

Source: IPART.

### 5.2.2 Needs loading for students who are Aboriginal or Torres Strait Islander, have a disability, or are long-term unemployed

Stakeholders identified many groups of students they consider are high cost learners due to their specific needs. In addition to students who are Aboriginal or Torres Strait Islander, have a disability, or are long term unemployed, these included students with socio-economic disadvantages, English language, literacy and numeracy problems, mental health conditions, and other specific groups.<sup>49</sup>

We don't disagree that these additional student categories are associated with additional costs. However, for practical purposes, we consider it is appropriate to use a loading to cover these costs only when:

- ▼ students in the category increase training costs in a fairly consistent manner, and
- ▼ students in the category can be easily identified, so eligibility can be easily determined by the RTO and verified by the Government.

In addition, in line with our definition of a loading (discussed in section 5.2 above), a loading should be used only when the higher costs of associated with the student cannot be covered through other means, such as co-enrolment in foundation courses.

We consider that 3 student categories clearly meet these criteria – students who are Aboriginal or Torres Strait Islander, have a disability, or are long-term unemployed. Therefore, we are recommending a needs-based loading be applied to the base prices for students in these categories. We consider that the specific definition of students who are Aboriginal or Torres Strait Islander or, have a disability should be the same as applies under the Strategic Skills Program. Long-term unemployed students should be defined as person that has been unemployed for more than 52 weeks. In addition, we consider that only 1 needs-based loading should be applied per student, regardless of whether the student fits into more than 1 needs-based category. While there are additional costs associated with providing training to students in regional and remote

<sup>49</sup> SSNSW, Submission to Issues Paper, May 2013, p 4; VNCA, Submission to Issues Paper, May 2013, p 4; Tocal, Submission to Issues Paper, April 2013, p 2; TAFE WI, Submission to Issues Paper, April 2013, p 2; Women in Adult and Vocational Education (WAVE), Submission to Issues Paper, April 2013, p 2, 4; Auswide, Submission to Issues Paper, April 2013, p 4 and TAFE SWSI, Submission to Issues Paper, May 2013, p 4.

locations and for students with additional needs we consider that 2 loadings should provide sufficient funding to ensure appropriate training where students have multiple needs. For those students where 2 loadings do not provide sufficient funding, then the Government may choose to provide additional funding via a Community Service Obligation (CSO) (see chapter 6).

In relation to some of the other higher cost learner categories stakeholders identified, we consider:

- ▼ ‘Disadvantaged students’ could potentially include a very broad range of people with varied needs and circumstances, and so would not increase training costs in a consistent way. There is also no easy way to identify and verify whether a student is disadvantaged. However, many of these students are likely to fall into one of the other need-based categories, which are all associated with socio-economic disadvantage.
- ▼ The higher costs of training ‘students with English language, literacy and numeracy problems’ could be covered by a means other than loadings, such as co-enrolling them in foundation or pre-vocational courses.

### 5.3 What is the appropriate level for loadings?

To decide on the appropriate level for each of the loading categories discussed above, we considered the loadings sought by tenderers under the Strategic Skills Program, the loadings applied under other NSW programs, and the loadings allowed in other jurisdictions. This evidence suggests that the student location loading could range from 10% to 40%, depending on the remoteness of the area. The evidence also suggests that the student needs loading could range up to 15%.

After considering this evidence, we decided to set the location loading at 10% for students in regional areas and 20% for students in remote areas. We decided to set the needs loading at 10% for all 3 student categories.

#### 5.3.1 Loadings sought by tenderers under the Strategic Skills Program

Under the Strategic Skills Program, RTOs tendered prices for providing services to metropolitan areas and standard students, which could include loadings to allow for provision of services to students in regional and remote areas, students who are job seekers, and students with special needs. The prices tendered (including loadings) represented the amount the Government would pay the winning tenderer, with the student paying a standard fee (aligned with the equivalent fee charged by TAFE NSW).

In general, tenderers sought loadings of around:

- ▼ 13% for students in regional areas and 20% for remote areas
- ▼ 15% for special needs students and 10% for job seekers.<sup>50</sup>

**Table 5.2 Loadings sought under the Strategic Skills Program**

Item	Loading on price tendered (%)
<b>Type of student</b>	
Existing worker	0.0
Special needs	14.9 to 15.9
Job seeker	9.9 to 11.8
<b>Location</b>	
Metropolitan area	0.0
Regional area	11.3 to 14.0
Remote area	18.1 to 20.9

**Note:** Lower bound and upper bound are 95% confidence intervals.

**Source:** IPART analysis of tender data. The estimated cost loadings are based on regression analysis of the costs tendered by training organisations against the region, type of student and class size for which services are being provided.

### 5.3.2 Loadings for the NSW Apprenticeship & Traineeship Training Program

The NSW Apprenticeship & Traineeship Training Program (NSW ATTP) allows for a loading for students who are Aboriginal, Torres Strait Islander or have a disability of \$440 per Certificate II qualification, and \$880 per Certificate III and Certificate IV qualification. These are equivalent to around 10% of the average base prices that we have calculated for courses in these qualification bands.

The NSW ATTP also allows for a loading of 15% when the training is provided in regional and remote locations.<sup>51</sup>

<sup>50</sup> We note that job seekers would include some long-term unemployed students.

<sup>51</sup> NSW Government, 2011-12 Approved Providers List (APL) Contract (as varied from 1 January 2013), 6 November 2012, Part IV, p 16.

### 5.3.3 Loadings allowed for in other states

The Victorian training system adds loadings for geographic remoteness and student disadvantage to the government subsidy paid to RTOs for providing specific courses. Because the Victorian system sets only the government subsidy and not the student fee, these loadings also reflect the additional subsidy paid to RTOs for students eligible for concession fees. They include:

- ▼ a 5% loading for students in non-metropolitan areas
- ▼ a 50% loading for students who are Aboriginal and Torres Strait Islander
- ▼ a 30% loading for students between the ages of 15 and 19 who are eligible for a concession and meet requirements in relation to existing qualifications.<sup>52</sup>

South Australia applies geographic loadings that range between 10% and 40% depending on the degree of remoteness.<sup>53</sup>

#### Draft recommendations

- 8 The following loadings should be added to the base price to reflect the additional costs associated with higher cost learners:
  - location loading – 10% for students located in regional areas; 20% for students located in remote areas
  - needs loading – 10% for students who are Aboriginal or Torres Strait Islander, have a disability, or are long-term unemployed.
- 9 A provider should be able to claim a maximum of 1 location loading and 1 needs loading per student.

<sup>52</sup> State Government Victoria, 2013 Service Agreement Victorian Training Guarantee Program, November 2012, pp 62- 63. Available at <http://www.education.vic.gov.au/Documents/training/providers/rto/nontafeserviceagreement2013.pdf>.

<sup>53</sup> Government of South Australia, *Skills for All Subsidy Framework*, Version No. 1.2, 28 February 2013, p 4. Available at <http://www.skills.sa.gov.au/for-training-providers/skills-for-alltraining-providers/skills-for-all-training-provider-contract#Contract>.

## 6 Arrangements for thin markets and CSOs

The previous 2 chapters outlined our recommended approaches for establishing the base price for each qualification, and the loading that should be added to that price for students in rural and remote locations and/or with particular needs. Both approaches aim to capture the efficient costs of providing training where there is a reasonably robust market for that training.

However, we recognise that there will be circumstances in which the base price and loadings are not sufficient to compensate RTOs for the costs of delivering the training. For example, this may be where there is low demand so enrolment numbers are lower. Or, it may be where student needs result in higher costs than allowed for in setting the loadings. In these circumstances – or ‘thin markets’ – the Government may choose to provide additional funding via a Community Service Obligation (CSO).

Our terms of reference ask us to develop an approach for identifying and testing for such thin markets, and recommend arrangements for the funding VET services within those markets. In doing so, we must take account of inter-related work on the VET Budget and Funding Model on the treatment of CSOs paid by the NSW Government and provided by TAFE NSW and approved Adult Community Education (ACE) providers.

The section below provides an overview of our draft recommendations on thin markets and CSOs. The subsequent sections discuss our understanding of these terms in the context of this review, and our considerations of how a market for VET should be defined, how thin markets for VET should be identified and tested, how the thin markets for which CSOs will be provided should be determined, and what should happen in thin markets for which no CSO is provided.

### 6.1 Overview of draft recommendations on thin markets and CSOs

We consider that a market for VET should be defined in terms of the location of the training, the industry category of the training, and any specific student needs to meet the required quality standards. A thin market should be defined as a market that it is too costly to supply for the available base price and loadings. These markets should be identified on the basis that no RTO is willing to supply them for the available base price and loadings.



Once thin markets are identified, the Government could specifically determine those in which it wants to provide CSOs. Initially, the supply of these markets should be negotiated with TAFE and ACE. However, after several years, it could be determined through competitive tendering.

In thin markets where the Government does not want to provide CSOs, students should be able to claim equivalent subsidies if they choose to obtain the training for the full commercial price.

## 6.2 Our understanding of thin markets and CSOs

As Chapter 3 discussed, we consider that loadings and CSOs in thin markets are overlapping tools to account for the higher costs associated with providing training to particular groups of students and thus ensuring that RTOs are willing to supply those students. As Chapter 5 discussed, we have defined loadings as an amount added to the base price to reflect the typical additional cost associated with providing training to specific categories of higher cost learners.

Therefore, in the context of this review and our recommended price and fee arrangements, thin markets for VET are those where the costs of providing the training are over and above those covered by the relevant base price and loadings. CSOs are payments the Government may choose to make to ensure training is provided in such markets. For example, this may be because it considers providing the training will deliver net private and public benefits, even with additional public subsidisation. Or it may be because it considers providing the training is consistent with fairness or equity principles, in line with Government policy.

## 6.3 How a VET market should be defined

Stakeholders had differing views on how thin markets should be defined. For example, TAFE South Western Sydney Institute recommends a multi element definition – is the training critical to the region and NSW economy, has low numbers and high costs but skills demand and need, demographics and culture influences where small groups require individualised training. It also recommends that the methodology for thin markets be reviewed more regularly than our base price methodology.<sup>54</sup> Tocal College suggest that the test should be are there providers already delivering training in these locations at a commercial rate.<sup>55</sup> TAFE Western Institute proposed specific training markets (such as Opal cutting and dental).<sup>56</sup>

<sup>54</sup> TAFE South Western Sydney Institute, Submission to Issue Paper, p 7.

<sup>55</sup> Tocal College, Submission to the Issues Paper, p 2.

<sup>56</sup> TAFE Western Institute, Submission to the Issues Paper, p 3.

Before we can identify thin markets, we need to decide how to define a VET market. We consider that a VET market should be defined in terms of the type and location of the training, and any specific student needs. For instance, a market could be for:

- ▼ the provision of training in the automotive sector in the Wollongong statistical subdivision, or
- ▼ the provision of training in nursing in Coffs Harbour for hearing impaired students.

However, we also need to define these terms – course type, location and student needs. How narrowly (or broadly) they are defined will affect how narrowly (or broadly) a market is defined. In turn, this will affect how many markets are considered not able to be supplied for the relevant base price and loadings.

For example, narrow definitions of the course type and the location would be a specific qualification, and a specific town in NSW. These result in a narrow market definition, such as the provision of a Diploma of Surface Operations Management to students in Uralla. Broader definitions would be a specific training package area and a larger region. These result in a broader market definition such as the provision of training in the Resources and Infrastructure Industry Training Package to students in the Northern Tablelands. It is more likely that no RTO is willing to supply the narrow market than the broader one.

If we look at the potential courses RTOs could tender for under the Strategic Skills Program (based on all possible course/region combinations),<sup>57</sup> there was no tenderer for 20% of the possible courses, and only 1 tenderer for around 35%. However, if we define potential courses more broadly, based on all possible industry group<sup>58</sup>/region combinations, there was at least one tenderer in each industry in each region for around 95% of courses.

We consider it would be appropriate to define:

- ▼ the location moderately broadly (eg, either the Sydney Metropolitan area or one of 36 statistical subdivisions of NSW outside this area)
- ▼ the course type broadly (eg, by the training package area), and
- ▼ student needs narrowly (eg, by the target students' specific requirements to participate effectively in the training, such as sign language interpreters, or English language support, or wrap around services such as counselling).

This reflects that our view that:

- ▼ it is appropriate to ensure people have access to training across a range of industries at a reasonable distance from their home, but there are no strong reasons for ensuring they have access to every course, and

<sup>57</sup> For example, Diploma of Surface Operations Management in the Northern Tablelands.

<sup>58</sup> As indicated by the training package code.

- ▼ it is appropriate to ensure that certain groups of people who cannot readily learn via 'mainstream' training have access to some training that meets their specific needs.

#### 6.4 How thin markets for VET should be identified

As discussed above, our definition of a thin market is one where the costs of supplying the market are above those covered by the base price and loadings. To identify such a market, we would need to test whether an RTO is willing to supply it for the relevant base price and loadings.

This would require RTOs to submit (annually) a list of the markets (defined in terms of location, course type or training package area, and any student needs) for which they would be willing to provide services under the available base prices and loadings. Those that no RTOs indicated a willingness to provide services would be considered to have satisfied the requirement for a thin market (ie, that it is too costly to supply for the base price and loadings available).

This process would identify locations where costs per student were higher than average and the courses that were not accurately costed through the costing process. It would also pick up student types that could not be accommodated under base prices and loadings.

#### 6.5 How the Government could determine the thin markets in which it will provide CSOs

As discussed above, there are likely to be a number of markets for which services cannot be provided under base prices and loadings. The Government would need to decide which of these markets it wants to provide CSOs for. (CSOs should not be provided in a market in which a provider is willing to provide services for the base price and loadings.)

While this is a matter for the Government, the criteria used to make this decision could include:

- ▼ training in markets where there is the greatest impact on employment outcomes
- ▼ the level of disadvantage in the region and/or the individuals who would receive the training
- ▼ the range of alternatives open to these individuals, including online learning or other training possibilities
- ▼ the importance of the training in each market for the region and the ranking of the qualifications on the skills list, and
- ▼ the cost to allow the training to occur (that is, CSOs should not be provided where this cost is very high).

In markets where the Government decides that it would like to provide a CSO, provision of the training should initially be negotiated between DEC and TAFE/ACE providers consistent with current Government policy. However, within several years of Smart and Skilled being implemented, this should be opened to competitive tender.

## 6.6 What should happen in thin markets for which no CSO is provided

Where a thin market is identified and the Government decides not to provide a CSO, students may choose to obtain training by paying the full commercial price. In this case, we consider it would be equitable for the Government to pay the same government subsidy and loadings the students would receive if they undertook the equivalent training in a robust market. This could also reduce the extent to which the higher costs to students in thin markets influences their decisions to undertake training in these markets.

Draft recommendations

- 10 For the purposes of directing CSOs:
  - a market should be defined in terms of the location of the training, industry category of the training and any specific student needs to be serviced
  - a thin market should be defined as a market that is too costly to supply for the available base price and loadings.
- 11 The Government should specifically identify the thin markets for which it wants to provide CSOs. The supply of these markets should be negotiated with TAFE and ACE during the first several years of Smart and Skilled, and then put to competitive tender.
- 12 In thin markets where the Government does **not** provide CSOs and RTOs offer courses and qualifications on the skills list for the full commercial price, students should be entitled to the government subsidy and any loadings they would receive if they undertook the same training in a robust market.

## 7 Student fees and government subsidies for first post-school qualifications

After deciding on a methodology for estimating base prices, loadings and CSOs, our next step was to develop a methodology for determining the shares of the base price for a student's first post-school qualification to be recovered through student fees and government subsidies respectively. These are the fees and subsidies applicable to students undertaking publicly funded VET (ie, entitlement and other eligible training as defined by the skills list). The objective of this step is to ensure that students and taxpayers each make an appropriate contribution to the base price.<sup>59</sup>

To develop this method, we considered:

- ▼ the Government's objectives in providing publicly funded VET
- ▼ 3 options for achieving these objectives through the level of student fee and government subsidy
- ▼ how student fees for VET determined using our preferred option compared to student fees for comparable study at university
- ▼ the price and fee arrangements for VET in other jurisdictions.

The sections below provide an overview of our considerations and draft recommendation on the share of base prices students should fund through fees for their first qualification, and then discuss our considerations in more detail.

### 7.1 Overview of considerations and draft recommendation on fees and subsidies for first post-school qualifications

After considering the Government's objectives in providing publicly funded VET through Smart and Skilled, and the pressures on the budget for VET, we consider that the key criteria for the approach for determining student fees and government subsidies are that:

- ▼ the fees should assist the Government in meeting its objectives
- ▼ the fees and subsidies should reflect the 'beneficiary pays' principle
- ▼ the approach should be easy to understand and simple to implement.

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<sup>59</sup> We note that student fees may be paid by the student or by an employer on behalf of the student. We also note that 100% of loadings and CSOs will be funded by additional Government subsidy, and therefore should not be considered in the method for determining student fees.

Of the 3 options we explored, we consider sharing base prices based on the relativity between the private and public financial net benefits associated with the qualification best meets these criteria. This approach and the available data suggest that base prices should be shared between students and taxpayer in a ratio of 70% to 30%.<sup>60</sup>

However, after estimating the student fees that would apply using this ratio, and comparing them with current fees for university students, we consider this ratio is too high. In particular, it would result in fees for some VET study being higher than those for equivalent university study. This might distort students' choices away from VET towards university study, which would not be consistent with the Government's objectives for publicly funded VET.<sup>61</sup>

To minimise the potential for such distortion, our view is that students undertaking their first post-school VET qualification should pay, at most, 40% of base prices in fees, with the remaining 60% of base prices recovered through Government subsidy. While there was some support from stakeholders for seeking a balance between private and public benefits when setting fees and subsidies,<sup>62</sup> many stakeholders are concerned that increasing fees will reduce student enrolments and participation in VET (and potentially reduce the quality of training).<sup>63</sup> Some stakeholders are particularly concerned that fee increases will reduce access to VET for students from lower socio-economic backgrounds.<sup>64</sup>

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<sup>60</sup> However, given we have not estimated the value of the public non-financial benefits generated by VET, a conservative student share may be more appropriate, with government contributing a higher proportion.

<sup>61</sup> Some stakeholders consider that, given the potential returns, VET fees should be less than university fees (see eg, University of New England (UNE), Submission to Issues Paper, May 2013, p 1; Ostermann, Submission to Issues Paper, May 2013, p 3 and WAVE, Submission to Issues Paper, April 2013, p 2. However, other stakeholders suggest that there should be no comparison between fees for VET and university, given the differences between them (see eg, MPA NSW, Submission to Issues Paper, May 2013, p 9; VNCA, Submission to Issues Paper, May 2013, p 5 and Bureau Veritas Asset Integrity and Reliability Services (BVAIRS), Submission to Issues Paper, May 2013, p 1). To the extent that pathways between VET and university exist, then we consider such a comparison is valid.

<sup>62</sup> See eg, NSW TAFE Commission Board (TAFE NSWCB), Submission to Issues Paper, May 2013, p 13; SSNSW, Submission to Issues Paper, May 2013, p 4; MSA, Submission to Issues Paper, May 2013, p 8; Ostermann, Submission to Issues Paper, May 2013 p 3; BT, Submission to Issues Paper, May 2013, p 7; TAFE WI, Submission to Issues Paper, April 2013, p 2 and BVAIRS, Submission to Issues Paper, May 2013, p 3.

<sup>63</sup> See eg, TAFE SWSL, Submission to Issues Paper, May 2013, p 8; Ostermann, Submission to Issues Paper, May 2013, p 3; BT, Submission to Issues Paper, May 2013, p 8; VNCA, Submission to Issues Paper, May 2013, p 5; BVAIRS, Submission to Issues Paper, May 2013, p 3. The impact of fee increases on student demand for VET is discussed in Appendix E.

<sup>64</sup> See eg, TAFE CA, Submission to Issues Paper, May 2013, p 14; TAFE WSL, Submission to Issues Paper, May 2013, p 6; SSNSW, Submission to Issues Paper, May 2013, p 4; TAFE WI, Submission to Issues Paper, April 2013, p 4; Auswide, Submission to Issues Paper, April 2013, p 2; MSA, Submission to Issues Paper, May 2013, p 9 and NSW Teachers Federation (NSWTF), Submission to Issues Paper, May 2013, p 10.

These stakeholders tend to support some fee arrangements based on student capacity to pay or means testing.<sup>65</sup>

## 7.2 Government's objectives in providing publicly funded VET

The NSW Government has a policy to provide publicly funded VET. This policy has specific objectives, which are reflected in its specific priorities for allocating the available funding. For example, these include increasing participation in VET, and addressing skills needs in certain areas of the NSW economy. (See Appendix D for more information.)

However, the Government has announced a reduction in expenditure on education in NSW of \$1.8 billion over 6 years.<sup>66</sup> In addition, it is likely that the reduction in expenditure on VET will be disproportionately larger than other parts of the education sector, given the Government also announced an intention to fund the Gonski reforms to school education through changes to VET fees and subsidies.<sup>67</sup>

Even without these pressures on VET funding, there is no guarantee that reductions in VET student fees alone would encourage greater participation and achieve the Government's objectives. (This is because the level of fees is only one of many factors that influence individuals' education and training decision making. See Appendix E.) It would also be inconsistent with our assessment criteria for this review.<sup>68</sup> Therefore, a key principle for the approach for determining the student and government shares of base prices is that it results in student fees that assist the Government in achieving its objectives in funding VET.

We also consider there are 2 additional key principles for this approach. The first is that it results in fees and subsidies that reflect the 'beneficiary pays' principle – that is, those parties that receive benefits when a student undertakes VET should contribute to its costs. This pricing approach is based on the idea that the most

<sup>65</sup> A number of stakeholders consider that skills need should drive the allocation of Government funding (TAFE NSWCB, Submission to Issues Paper, May 2013, p 5; MSA, Submission to Issues Paper, May 2013, p 7; Ostermann, Submission to Issues Paper, May 2013, p 3; MPA NSW, Submission to Issues Paper, May 2013, p 10; BVAIRS, Submission to Issues Paper, May 2013, p 1 and Australian Council for Private Education and Training (ACPET), Submission to Smart and Skilled consultation, November 2011, p 10 and 12 and Submission to ESC VET Fee and Funding Review, June 2011, p 22. We note that under Smart and Skilled government funding will only be provided for qualifications on the skills list, which by definition will reflect skills need.

<sup>66</sup> See Treasurer's budget speech, [http://www.budget.nsw.gov.au/\\_\\_data/assets/pdf\\_file/0019/25192/BP1\\_Budget\\_Speech.pdf](http://www.budget.nsw.gov.au/__data/assets/pdf_file/0019/25192/BP1_Budget_Speech.pdf) page 8 (Accessed 8 July 2013).

<sup>67</sup> See Premier's press release <http://www.premier.nsw.gov.au/sites/default/files/NSW%20TO%20IMPLEMENT%20GONSKI%20SCHOOL%20FUNDING%20REFORMS.pdf> (Accessed 11 July 2013).

<sup>68</sup> In particular criterion 2: allow the Government to predict and manage the impact on the budget in the situation where the funds available for VET are finite.

efficient allocation of resources occurs when consumers pay the full cost of the goods that they consume. The second is that it is easy to understand and simple to implement. This is also consistent with our assessment criteria for this review.<sup>69</sup>

### 7.3 Preferred option for achieving these objectives through the level of student fee and government subsidy

We assessed 3 economic approaches that could potentially be used as a starting point for determining the appropriate level of the student fee and government subsidy. These options were:

1. Using the price elasticity of demand to set fees at the level that achieves the Government's objectives for participation in VET.
2. Setting fees to reflect either the value of the private benefits generated by the qualification or the value of public benefits generated by the qualification.
3. Sharing base prices between the student fee and government subsidy on the basis of the relativity between private and public financial net benefits generated by the qualification.

We found that the first option – using the price elasticity of demand – would result in lower (or in some cases zero) student fees, which is inconsistent with the first and second principles discussed above. The second option – setting fees to reflect the value of either the private or public benefits – is highly sensitive to the modelling approach used to estimate the benefits of VET, and the income tax assumptions used in this modelling. In addition, it could result in student fees that distort student decisions about their area of study. This could be inconsistent with the first or second principles, depending on whether fees reflect private or public benefits.

On balance, we consider that the third option – sharing base prices between the student fee and government subsidy on the basis of the relativity between private and public financial net benefits – best meets the 3 key principles discussed above, given the information available at present. We also note that compared to option 2, it is less sensitive to the modelling approach used to estimate the financial benefits of VET, but equally sensitive to the assumptions about income tax used in this modelling.

The sections below discuss how we applied our preferred option and the resulting shares. The other 2 options are discussed in Appendix E.

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<sup>69</sup> Some stakeholders agree that price and fee arrangements should be simple, to encourage a greater level of understanding (see eg, TAFE NSWCB, Submission to Issues Paper, May 2013, p 13 and The Australian College Broadway (TAC), Submission to Issues Paper, May 2013, p 4).



### 7.3.1 How we estimated the relativity between the private and public returns from VET

We used a human capital approach to understand the private and public returns to VET and inform our draft recommendation on an approach to sharing base prices between student fees and government subsidies. We acknowledge that this approach assumes that students (and potential students) have complete information about the costs of and potential outcomes from undertaking different courses and qualifications. In practice this may not be the case.

However, we note that Smart and Skilled envisages improved information provision so that consumers “have better information to make informed choices about their training”.<sup>70</sup> An online portal will provide information on training opportunities, training organisations, job prospects, careers and labour market trends. The national ‘MySkills’ website also provides information on training organisation capacity throughout the country.<sup>71</sup>

Measuring the private returns to VET involves estimating the costs faced by students (eg, forgone earnings, fees) and the benefits received (eg, increase in after tax earnings). The private returns are the benefits minus the costs from the student’s perspective. Measuring the public returns to VET involves estimating the costs faced by government (eg, forgone taxes while the student is studying, the level of subsidy) and the benefits received (eg, increased tax payments of individuals with higher earnings). The public returns are the benefits minus the costs from the government’s perspective.

We have used a study that estimated economic returns to education in Australia<sup>72</sup> and census data to estimate the private and public returns to VET (See Appendix F). In general, participation in VET leads to improved employment outcomes (in terms of both participation and increased income) compared to an individual who has not completed Year 12 (see Box 7.1 below). For those qualifications that generate returns at the median income level and above, the relativity between the private and public returns is around 70/30 (or a ratio of 2.4 to 1). This relativity reflects the tax system, ie, it is driven by the size of the income differential<sup>73</sup> and the corresponding amount of additional after-tax

<sup>70</sup> See

[http://www.training.nsw.gov.au/forms\\_documents/vet/skills\\_reform/fact\\_sheets/smart\\_skilled\\_overview.pdf](http://www.training.nsw.gov.au/forms_documents/vet/skills_reform/fact_sheets/smart_skilled_overview.pdf) (accessed 27 March 2013).

<sup>71</sup> See <http://www.myskills.gov.au/Home.aspx> (accessed 27 March 2013).

<sup>72</sup> Leigh, A., *Returns to Education in Australia*, 2007, <http://people.anu.edu.au/andrew.leigh/pdf/ReturnsEducationAustralia.pdf> (accessed 26 June 2013).

<sup>73</sup> Between the VET completer and the non-VET completer.

income received by the VET completer and additional tax receipts received by government.<sup>74</sup>

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### Box 7.1 Estimating the impacts of VET

We estimated the income level of individuals who completed Year 11 and undertook no further education using census data. We then used the results of Leigh's study to estimate the earnings differential between this group and individuals who have undertaken VET. Using the earnings differential (or incremental income) we estimated private and public returns to VET, assuming a young learner undertakes VET and then works until the age of 64. For those qualifications that generate returns at the median income level and above, the relativity between the private and public returns is around 70/30, or a ratio of 2.4 to 1 (see Appendix F).

The OECD estimated the output of educational institutions and the impact of learning, including the private and public returns to individuals who have obtained upper secondary or post-secondary (non-tertiary) qualifications in Australia.<sup>a</sup> The ratio of private to public returns for men is 2.3:1 and for women is 1.9:1. The comparator group is individuals with below upper secondary education.

In April 2012, the Productivity Commission released its findings on the economic impacts and benefits of COAG's VET reform agenda.<sup>b</sup> As part of its assessment, the Commission estimated the net financial benefits from an individual undertaking VET (compared to a Year 11 completer). In this stylised example, the individual is around \$123,000 better off in 2012 dollars if they undertake VET, while government's net benefit is around \$48,000 (again in 2012 dollars). This is equivalent to a ratio of private to public financial benefits of around 2.5 to 1. Under the fees and subsidies that applied at the time of this analysis, the ratio of student fee to taxpayer subsidy was around 1 to 3.

Analysis undertaken for the NCVER in 2010 investigated the employment and earnings outcomes for individuals who had undertaken VET.<sup>c</sup> The study found that, compared to people who did not complete Year 12, there are benefits from obtaining any kind of VET qualification, including the lower level Certificate I–II qualifications. In all the years examined, people with VET qualifications had relatively higher average weekly earnings and a higher likelihood of being in permanent employment. The industry areas that provide the largest effects on earnings and employment outcomes appear to be business, engineering, architecture, building and automotive.

<sup>a</sup> See OECD, *Education at a Glance 2013: OECD Indicators*, OECD Publishing, 2013, pp 140-143. doi: [10.1787/eag-2013-en](https://doi.org/10.1787/eag-2013-en).

<sup>b</sup> See Productivity Commission 2012, *Impacts of COAG Reforms: Business Regulation and VET*, Research Report, Volume 3 – VET, Canberra, pp 10-11.

<sup>c</sup> See Lee, W-S & Coelli, MB 2010, *Analysis of private returns to vocational education and training*, NCVER, Adelaide, pp 10-11.

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<sup>74</sup> For those qualifications generating lower returns, this relativity is more heavily weighted towards private returns, again reflecting the size of the income differential and the corresponding amount of after-tax income received by the VET completer and tax receipts received by government.

However, we note that we have not estimated the value of all the public benefits that are non-financial in nature (ie, the external benefits). These are benefits to individuals, organisations or members of the broader community that were not involved in the provision and receipt of VET. To the extent that VET generates these benefits, and their value is greater than the additional costs of achieving them, then society would be better off if individuals undertake training. This situation justifies additional government subsidy, to encourage individuals (and/or firms) to invest more in VET.

Addressing this issue requires an estimate of the size of the external benefits. The available evidence on education externalities is mixed and it is difficult to draw any conclusions on the potential size of *VET* externalities. Studies have generally concentrated on a single externality (eg, crime reduction) and no one study has comprehensively tried to capture all external benefits (See Appendix E).

### 7.3.2 Resulting student and government shares

If the above ratio was used to share base prices between student fees and government subsidies then students would contribute 70% of base prices and taxpayers 30%, in line with the private and public returns generated. However, as this ratio does not take full account of any external benefits from VET, a more conservative student share may be more appropriate, with government contributing a higher proportion of base prices.

## 7.4 Relativity between fees for VET and university study

As the University of New England submitted,<sup>75</sup> the Australian Qualifications Framework (AQF) provides for the transfer of credit from higher level VET qualifications to bachelor degrees in the same (or a related) discipline. This means that, potentially, the relativity between the fees for VET and university study could influence students' choices between VET and university. We consider that to minimise this potential, both absolute fee levels and relative contributions (by students and the government) should be comparable.

We assessed whether VET student fees derived using the 70:30 student and government shares discussed above would be comparable with the fees for the equivalent study at university. We concluded that a 40:60 share would be more appropriate. The sections below summarise the analysis that supports this conclusion.

<sup>75</sup> See UNE, Submission to Issues Paper, May 2013, p 1.

#### 7.4.1 Current fee arrangements for Commonwealth Supported Places (CSPs) at university

Commonwealth Supported Places (CSPs) at university are subsidised by the Australian Government and available to domestic students.<sup>76</sup> Similar to government-funded VET, the Government subsidises part of the cost of a degree qualification and a student contribution notionally recovers the rest.

However, unlike the availability of government-funded VET, which will be driven by the skills list, CSPs are available in all fields of study (although different student contribution rates apply). The Government groups different areas of study into 'bands' and sets a range of student contribution rates that can be charged on a full-time study load for a year (normally 8 units). In 2013, the bands are structured as follows:

- ▼ Band 1: \$0-\$5868 (fields such as humanities, behavioural science, social studies, clinical psychology, foreign languages, visual and performing arts, education and nursing).
- ▼ Band 2: \$0-\$8363 (fields such as mathematics, statistics, science, computing, built environment, other health, allied health, engineering, surveying and agriculture).
- ▼ Band 3: \$0-\$9792 (fields such as law, medicine, dentistry, veterinary science, accounting, administration, economics and commerce).<sup>77</sup>

A student's actual contribution is calculated unit-by-unit. For example, a student studying a humanities degree (Band 1) but choosing an elective in law (Band 3) will be charged at the Band 3 rate for that elective. Students can defer payment of the student contribution through the HECS-HELP government loan scheme.<sup>78</sup> Table 7.1 sets out the student fee and government subsidy of university study by field of education.

In 2013, the government subsidy of CSP's is from 72% of total funding (for courses in agriculture) to 16% of funding (for courses in law, accounting, administration, economics and commerce). Most fields of education receive a government subsidy of between 50% and 70% of total funding (ie, student fees comprise 30% to 50% of funding). By way of comparison, we are recommending that government subsidy of VET is 60% of efficient costs, ie, student fees

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<sup>76</sup> CSPs are available at public universities and at a handful of private higher education providers (providers) in some national priority areas. (See <http://studyassist.gov.au/sites/studyassist/help-payingmyfees/csps/pages/commonwealth-supported-places> (accessed 16 July 2013).

<sup>77</sup> See <http://studyassist.gov.au/sites/studyassist/help-payingmyfees/csps/pages/student-contribution-amounts> (accessed 5 March 2013). In general, providers charge the maximum rate.

<sup>78</sup> HECS-HELP is an interest-free, income contingent loan that students do not have to start paying back until their income reaches the minimum repayment threshold (\$51,309 in 2013/14 – see <http://www.ato.gov.au/Rates/HELP-repayment-thresholds-and-rates/> (accessed 16 July 2013).

contribute 40% efficient costs (for the first post-school qualification, where the qualification is on the skills list).

**Table 7.1 Annual funding for CSPs (\$2013; student taking out HECS-HELP loan)**

Field of education	Student fee	Government subsidy	Total funding	% subsidy
Agriculture	8,363	21,075	29,438	72%
Nursing	5,868	13,041	18,909	69%
Dentistry, medicine or veterinary science	9,792	21,075	30,867	68%
Clinical psychology, foreign languages; or visual and performing arts	5,868	11,681	17,549	67%
Science, engineering or surveying	8,363	16,606	24,969	67%
Education	5,868	9,882	15,750	63%
Behavioural science or social studies	5,868	9,498	15,366	62%
Allied health	8,363	11,681	20,044	58%
Mathematics or statistics, computing, built environment or other health	8,363	9,498	17,861	53%
Humanities	5,868	5,369	11,237	48%
Law, accounting, administration, economics, commerce	9,792	1,933	11,725	16%

**Source:**

[http://www.innovation.gov.au/HigherEducation/ResourcesAndPublications/Resources/Documents/Allocation\\_units\\_study2013.pdf](http://www.innovation.gov.au/HigherEducation/ResourcesAndPublications/Resources/Documents/Allocation_units_study2013.pdf) (accessed 16 July 2013).

#### 7.4.2 Equivalent university fees for transfer of credit from VET

The AQF facilitates the progression of students through qualifications by giving credit for learning outcomes they already have achieved.<sup>79</sup> Such ‘credit transfer’ provides a means for students to gain credit in an AQF qualification on the basis of completed components of another AQF qualification or other formal learning. It can allow for entry into a qualification and/or provide credit towards the qualification. Credit transfer may reduce the time required for a student to achieve the qualification.

Guidelines within the AQF set out the procedures for students to negotiate credit for higher level VET qualifications towards Bachelor Degrees (in the same or a related discipline). The guidelines are:

- ▼ 50% credit for an Advanced Diploma or Associate Degree linked to a 3-year (full-time) Bachelor Degree (ie, a credit of 1.5 years of full time study)
- ▼ 37.5% credit for an Advanced Diploma or Associate Degree linked to a 4-year (full-time) Bachelor Degree (ie, a credit of 1.5 years of full-time study)

<sup>79</sup> See

<http://www.aqf.edu.au/Portals/0/Documents/2013%20docs/Credit%20Transfer%20Explanation.pdf> (accessed 25 May 2013).

- ▼ 33% credit for a Diploma linked to a 3-year (full-time) Bachelor Degree (ie, a credit of 1 year of full time study)
- ▼ 25% credit for a Diploma linked to a 4-year (full-time) Bachelor Degree (ie, a credit of 1 year of full time study).<sup>80</sup>

In broad terms, a Diploma is credited as 1-year towards a Bachelor Degree and an Advanced Diploma is credited as 1.5 years. The current student fees payable on this amount of full-time university study are set out in the table below.

**Table 7.2 Equivalent university student fees for credit amounts granted for VET towards Bachelor Degrees (\$2013)**

Field of education	Diploma	Advanced Diploma
Nursing	5,868	8,802
Clinical psychology, foreign languages; or visual and performing arts	5,868	8,802
Education	5,868	8,802
Behavioural science or social studies	5,868	8,802
Humanities	5,868	8,802
Agriculture	8,363	12,545
Science, engineering or surveying	8,363	12,545
Allied health	8,363	12,545
Mathematics or statistics, computing, built environment or other health	8,363	12,545
Dentistry, medicine or veterinary science	9,792	14,688
Law, accounting, administration, economics, commerce	9,792	14,688

**Source:** IPART calculation.

For those qualifications currently part of the Strategic Skills Program we have calculated the average fee assuming the student makes a contribution of 40% of the base price (see Table 7.3 below). In general, the level of these fees is less than the equivalent cost of university study, where a pathway between VET and university can reasonably be expected to exist (eg, qualifications in business, health and community services).

<sup>80</sup> See <http://www.aqf.edu.au/Portals/0/Documents/2013%20docs/AQF%202nd%20Edition%20January%202013.pdf> p79 (accessed 16 July 2013).

**Table 7.3 Average VET student fees: 40% of base prices**

<b>Qualification</b>	<b>Student fee (initial qual)</b>
Advanced Diploma of Conveyancing	\$3,756
Diploma of Nursing (Enrolled/Division 2 nursing)	\$5,584
Diploma of Business	\$2,776
Diploma of Management	\$2,748
Advanced Diploma of Management	\$2,780
Diploma of Financial Planning	\$3,296
Diploma of Community Services (Case management)	\$3,596

**Source:** Appendix I.

## 7.5 Price and fee arrangements in other jurisdictions

We also had regard to the price and fee arrangements applying in other jurisdictions (see Table 7.4). However, we note that there is a key difference between price and fee arrangements in NSW and other jurisdictions. In NSW government funding will be available to eligible students wishing to study those qualifications on the skills list – that is, a government subsidy will only be available for study undertaken in skills need areas. In other jurisdictions skills need is a factor in setting the level of subsidy for each qualification – ie, more subsidy is allocated to those areas deemed skills need or higher priority compared to other areas.



**Table 7.4 Price and fee arrangements for government-funded VET in other jurisdictions**

State	Price and fee arrangements
Victoria	No regulation of student fees. The subsidy available to a student for each hour of training is calculated as the product of the benchmark hourly rate (for the level of qualification being undertaken) and a course weighting. Higher rates apply to foundation and apprenticeship qualifications. Lower rates apply to diplomas and above (where income-contingent student loans are available) and lower level certificates where the direct vocational benefit is lower. Course weightings are based on an assessment of 'public value' reflecting the value of the course to the economy in terms of jobs or productivity, and extent to which government investment is required to stimulate delivery and/or participation in training to meet industry needs.
South Australia	Certificate I and II, priority courses and foundation skills courses are fee free. Other courses have a maximum student fee of \$7,000 per qualification. The subsidy available to a student for each unit of competency is the product of the payment hours (determined by the Minister), the qualification level and other relevant adjustments for location, student concession and fee exemptions and course.
Queensland	Will be amending legislation to create more flexible fee and charging arrangements. Level of subsidy will vary, with lower priority VET receiving a lower subsidy.

**Sources:** <http://www.education.vic.gov.au/Documents/about/departments/vetsubsidies.pdf> p 1 (accessed 16 July 2013) <https://www.eduweb.vic.gov.au/edulibrary/public/commrel/vet-studentfees.pdf> (accessed 19 July 2013) <http://www.skills.sa.gov.au/Portals/0/content/fortrainingproviders/pdfs/Subsidy%20Framework%20Version%201.2%20-%2028%20February%202013%20-%20Skills%20SA.pdf> pp 6, 8 (accessed 16 July 2013) <http://www.training.qld.gov.au/resources/industry/pdf/government-response.pdf> pp 8-9 (accessed 16 July 2013).

#### Draft recommendation

- 13 Students undertaking their first post-school VET qualification should pay, at most, 40% of base prices in fees, with the remainder (60%) paid through Government subsidies.



## 8 Student fees for subsequent qualifications and other fee arrangements

Once we developed our approach for determining the appropriate student fee for first post-school qualifications, we considered a range of fee arrangements, including:

- ▼ how student fees should distinguish between those undertaking their first and subsequent qualifications<sup>81</sup>
- ▼ the arrangements for determining student fees and government subsidies for part qualifications and foundation skills courses and
- ▼ options to relax the regulation of student fees progressively over time.

The sections below provide an overview of our considerations and draft recommendations, and then discuss these in more detail.

### 8.1 Overview of considerations and draft recommendations on other student fee arrangements

We consider that a small differential between the 2 fees for initial and subsequent qualifications is preferable. We also consider that the approach to sharing the base prices of full qualifications should be applied to sharing the costs of part qualifications and skill sets and that a smaller contribution should be made by students undertaking foundation skills courses. Finally, we consider that student fees should be implemented as a maximum, with RTOs able to set actual fees lower than the maximum.

### 8.2 Fees and subsidies for subsequent VET qualifications

The Government has a pricing principle that students undertaking a subsequent post-school qualification will make a higher contribution than those undertaking a first post-school qualification.

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<sup>81</sup> The Government's pricing principles include higher fees for subsequent and higher level qualifications (see Chapter 2).

In submissions to the Issues Paper, some stakeholders argued that there should be 2 sets of fees applying to subsequent qualifications, ie, one set of fees where the subsequent qualification is part of a particular pathway the student is undertaking and one set of fees for 'other study'.<sup>82</sup> We consider that, for simplicity, there should only be 2 sets of fees in total – one for initial qualifications and one for subsequent qualifications – with a small difference between them in recognition of the need for pathways, re-skilling and skill deepening.

Consequently, we recommend a 5% differential between initial and subsequent qualifications. That is, the standard student contribution for subsequent qualifications, where the qualification is on the skills list, should be 45% of the base price (where the standard student contribution for the first post-school qualification is 40% base prices). We are seeking stakeholder views on this level of differential between fees for initial and subsequent qualifications as part of the draft report.

#### Draft recommendation

- 14 Students undertaking a subsequent VET qualification should pay, at most, 45% of base prices in fees, with the remainder (55%) paid through government subsidies.

#### 8.2.1 Fees for higher level qualifications

The Government also has a pricing principle that students undertaking higher level qualifications will contribute more than those undertaking lower level qualifications.

In general, base prices increase with the hours spent delivering a qualification and vary by industry area. This means that, at the same qualification level, base prices differ between industry areas. Also, even within the same qualification level and industry area, base prices may differ between specific qualifications because the time spent on course delivery is different.

We have interpreted the Government's pricing principle such that fees for higher level qualifications, within the same industry area and number of hours of delivery, are higher than fees for lower level qualifications. The student fees arising from our recommendations are consistent with this approach.

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<sup>82</sup> See eg, TAFE NSWCB, Submission to Issues Paper, May 2013, p 16; TAFE WSI, Submission to Issues Paper, May 2013, p 6; SSNSW, Submission to Issues Paper, May 2013, p 5; MSA, Submission to Issues Paper, May 2013, p 10; MPA NSW, Submission to Issues Paper, May 2013, p 10 and BVAIRS, Submission to Issues Paper, May 2013, p 5.

### 8.3 Fees and subsidies for part qualifications and skill sets

VET students are able to undertake part qualifications and stakeholders generally consider that part qualifications are valuable.<sup>83</sup> To the extent that part qualifications are funded under Smart and Skilled (either through the entitlement or purchased training) we consider that, in principle, the approach to sharing the costs of this training between student fees and government subsidy should be the same as the one used to share the base prices for full qualifications. This meets our criterion of simplicity in fee setting and also allows costs to be signalled to students. We are seeking stakeholder views on this approach to setting fees and subsidies for part qualifications as part of the draft report.

Draft recommendation

- 15 The approach to sharing the costs of part qualifications between student fees and government subsidy should be the same as the approach to sharing base prices for full qualifications.

### 8.4 Fees and subsidies for Foundation Skills courses

In submissions to the Issues Paper, a number of stakeholders recommended that Foundation Skills courses and (potentially) lower level Certificate qualifications should be fee-free or very heavily subsidised, as these qualifications provide a pathway to higher learning rather than an occupational outcome.<sup>84</sup> At the Certificate III or IV level, where qualifications are seen as entry level to an occupation, fees might contribute a higher amount towards to cost of training. Fees for Diplomas and Advanced Diplomas would be higher again.<sup>85</sup>

<sup>83</sup> See eg, Somerset Outdoor Learning Centre (Somerset), Submission to Issues Paper, May 2013, p 2; TAFE CA, Submission to Issues Paper, May 2013, p 17; SSNSW, Submission to Issues Paper, May 2013, p 5; MSA, Submission to Issues Paper, May 2013, p 10; Southbound, Submission to Issues Paper, May 2013, p 3; BMAC, Submission to Issues Paper, May 2013, p 3-4; Outdoor Recreation Industry Council of NSW (ORIC), Submission to Issues Paper, May 2013, p 6; Tocal, Submission to Issues Paper, April 2013, p 4; TAFE WI, Submission to Issues Paper, April 2013, p 6 and ACPET, Submission to ESC VET Fee and Funding Review, June 2011, p 28.

<sup>84</sup> See eg, TAFE CA, Submission to Issues Paper, May 2013, p 16; TAFE WSI, Submission to Issues Paper, May 2013, p 6; MSA, Submission to Issues Paper, May 2013, p 8; ACPET, Submission to Smart and Skilled consultation, November 2011, p 10 and 12. ACPET suggested individuals should be 'highly subsidised' up to Certificate IV but higher level qualifications subsidised only in skills shortage areas and where there is a 'limited financial return for individuals'.

<sup>85</sup> BT, Submission to Issues Paper, May 2013, pp 7-8. Bannister Technical recommend zero student fees up to and including Certificate III as this is the first level of 'skilled' qualification, especially for manufacturing and service occupations, but it does not necessarily result in improved wage outcomes. Certificate IV could contribute 5% to 10% of costs; Diploma and above should contribute more.

The nature of VET is that all qualifications (including lower level Certificates) have a vocational outcome and an Australian and New Zealand Standard Classification of Occupations (ANZSCO) code that links the qualification with an occupation. However, we acknowledge that a particular qualification could also provide a pathway to a higher level qualification.

We consider that our recommendation of a small difference in the fee between initial and subsequent qualifications acknowledges the pathways created by lower level Certificate qualifications. However, Foundations Skills, which encompass literacy, numeracy and general employability skills, such as teamwork and problem-solving,<sup>86</sup> underpin other vocational qualifications. They do not provide an occupational outcome in themselves, but are required by a particular learner before they can undertake a vocational qualification.

We recommend that the costs of Foundation Skills are subsidised by more than qualifications leading to an occupational outcome. We understand that some Foundation Skills courses currently provided by TAFE are fee exempt (these are referred to as 'special access courses').<sup>87</sup> We consider that students undertaking these courses should make some contribution to the costs, and recommend that the student contribution for Foundation Skills courses that are on the skills list is 10% of the base price. We are seeking stakeholder views on this approach to setting fees and subsidies for Foundation Skills courses as part of the draft report.

#### Draft recommendation

- 16 Students undertaking Foundation Skills courses should pay 10% of base prices in fees, with the remainder (90%) paid through government subsidies.

## 8.5 Setting student fees as an allowed maximum

We consider that student fees should be implemented as a maximum, with RTOs free to set actual fees lower than the maximum. This would mean that RTOs could seek to compete by setting student fees below the maximum level. This will encourage competition and innovation. Our experience suggests that, where it is feasible, competition encourages efficiency and innovation, and is preferable to regulation. To assist students in making a choice between providers RTOs should be required to publish the timing of payments for student fees (see Chapter 13).

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<sup>86</sup> See [http://www.nveac.natese.gov.au/\\_\\_data/assets/pdf\\_file/0008/56348/Briefing\\_on\\_Foundation\\_Skills\\_-\\_Roberts\\_and\\_Wignall.pdf](http://www.nveac.natese.gov.au/__data/assets/pdf_file/0008/56348/Briefing_on_Foundation_Skills_-_Roberts_and_Wignall.pdf) (accessed 19 July 2013).

<sup>87</sup> Special access courses teach skills in career opportunities, community training, employment skills, literacy, numeracy, reading and writing, school mentoring, signed language, volunteer tutoring and work readiness. These courses are exempt from the TAFE NSW fee for students eligible for a Government-subsidised place. See <http://northcoast.tafensw.edu.au/APPLYANDENROL/Pages/TAFE-fees-exemptions-concessions-refunds.aspx> (accessed 19 July 2013).

Draft recommendation

- 17 Student fees should be specified as the maximum fees RTOs can charge, so they are able to charge lower fees if they choose.

## 9 Fees for apprentices and trainees

Currently, under the NSW Apprentice and Trainee Training Program (ATTP), apprentices and trainees pay a flat annual fee of \$478 regardless of qualification level or field of study. This means that the total fee they pay per qualification depends on the number of years they take to complete it. For example, they pay total fees of \$478 for 1-year traineeship, \$1,434 for a 3-year apprenticeship, and \$1,912 for the same apprenticeship completed over 4 years.

We have considered how student fees for apprentices and trainees should be converted from an annual to a qualification basis, and whether they should move towards consistency with fee arrangements for other students, so they better reflect their value to apprentices and trainees. We took account of the characteristics of apprenticeships and traineeships, stakeholder comments, and the arrangements for apprentice and trainee fees in other jurisdictions. We also analysed the potential impact of large fee increases on apprentices, trainees and industry.

The sections below provide an overview of our draft recommendations, then discuss our considerations and analysis in more detail.

### 9.1 Overview of draft recommendations on apprentice and new entrant trainee fees

As Chapter 7 discussed, our draft recommendation is that student fees should be set to reflect (at most) 40% of the base price, and the remaining 60% should be provided through a government subsidy. We consider that this approach should apply to all student fees, including apprentice and new entrant trainee fees. This will ensure the level of government subsidy provided to VET students is equitable.

However, we recognise that implementing this consistent approach immediately would result in large increases in fees for some apprentices, particularly those training in high-cost industry groups. Therefore, we consider:

- ▼ in the first year of Smart and Skilled, apprentice and trainee fees should be capped at \$3,000 per qualification
- ▼ in the subsequent years, this cap should be increased by \$1,000 per year until the fee reaches a level that reflects 40% of the base price.

But unlike other student fees, we note that it is Government policy that students who undertake more than one apprenticeship or traineeship should not pay a higher percentage of the base price for subsequent qualifications.

## 9.2 Characteristics of apprenticeships and traineeships

Apprenticeships and traineeships currently make up about 20% of the government-funded VET market in NSW.<sup>88</sup> They combine on-the-job training and work experience with formal training. For the formal training component, apprentices and trainees must enrol in an approved course provided by an RTO. The fees charged by the RTO are paid by either by the apprentice/trainee or the employer; there appears to be no general rule as to which one pays.

In NSW, Vocational Training Orders (VTOs) specify the requirements for gaining a credential for the relevant apprenticeship or traineeship pathway. The VTO specifies the relevant level of qualifications (Certificate levels II to IV) and national competency standards underpinning those qualifications, as well as the term of the apprenticeship or traineeship.<sup>89</sup>

Apprenticeships and traineeships can be undertaken either full-time or part-time, and students undertake the formal training component within their paid work hours. In general:

- ▼ Apprenticeships take 4 years, and the formal training component usually occurs during the first 3 years. They are generally completed at Certificate III to Certificate IV level.
- ▼ Traineeships take between 1 and 3 years. Certificate II traineeships take 1-year to complete, while Certificate III to Diploma traineeships take 1 to 2 years.<sup>90</sup>

Compared with the overall VET student population, apprentices are mainly concentrated in technical and trade-based industries, where training costs tend to be higher than average. Trainees are found in technical and trade-based industries, as well as in business and community services where training costs tend to be lower.<sup>91</sup> In 2011, about 50% of all apprentices and trainees were in technical and trade-based industries.<sup>92</sup>

<sup>88</sup> Source: IPART analysis of NCVER VET enrolment 2011 data. <http://www.ncver.edu.au> Accessed 20 June 2013.

<sup>89</sup> <https://www.tafensw.edu.au/courses/types/apprtrain.htm>

<sup>90</sup> Advanced Diploma traineeships are not currently government-funded.

<sup>91</sup> IPART analysis of NCVER VET enrolment 2011 data. <http://www.ncver.edu.au> 1 Accessed 20 June 2013.

<sup>92</sup> Ibid.

### 9.3 Stakeholder comments on apprentice and trainee fees

Several stakeholders supported a fee structure for apprentices and trainees that is consistent with the structure for other VET students.<sup>93</sup> They argued that there is no reason why apprentices and trainees should be treated differently and that a consistent set of fees is preferable.

Other stakeholders supported maintaining the current fee structure because:

- ▼ A flat fee across all qualification levels is easier for employers to understand and accept.<sup>94</sup>
- ▼ A flat fee acknowledges lower wages for apprentices and trainees and higher costs associated with the required tools and clothing.<sup>95</sup> For example, a trade apprentice such as an engineering apprentice or apprentice chef will have significant costs associated with acquiring the required tools and clothing.

### 9.4 Apprentice and trainee fees in other jurisdictions

In Victoria, the special fee arrangements for apprenticeships that existed prior to 2012 have been removed, in response to a review of the state's VET funding arrangements by the Victorian Essential Services Commission (ESC). The ESC recommended consistent treatment of apprentices and trainees, and the removal of the flat tuition fee structure which meant apprentice and trainee fees did not vary according to the qualification level. The ESC could not identify any clear benefits in the preferential treatment of apprentices. Stakeholders generally welcomed the decision as the anomaly was seen as inequitable.<sup>96</sup>

### 9.5 IPART's considerations and analysis on apprentice and trainee fees

We agree with the view of some stakeholders and the ESC that the current fee structure for apprentices and trainees is inequitable. We consider there is no valid reason for the Government to subsidise the fees paid by these students to a greater extent than those paid by other VET students doing courses or qualifications on the skills list. We also note the cost to Government of not increasing fees for apprentices and trainees to 40% of the base price would be around \$77 million per year (2014 dollars).<sup>97</sup>

<sup>93</sup> For example, see Submissions to Issue Paper: TAFE Western Sydney Institute, May 2013, p.6; and individual submission M. Ostermann, May 2013, p 4.

<sup>94</sup> Service Skills NSW, Submission to Issue Paper, May 2013, p 8.

<sup>95</sup> Manufacturing Skills Australia – Submission to Issue Paper, May 2013, p 10.

<sup>96</sup> Essential Services Commission 2011, *VET Fee and Funding Review – Volume II: Technical Analysis*, September. Submission from RMIT, p 53.

<sup>97</sup> This cost to government is the lower revenue from fees, assuming no change in demand. To recover this amount, other student fees would need to increase to more than 55% of the base price.



For these reasons, we consider that the fee arrangements for apprentices and trainees should be consistent with those for other students. That is, these fees should be set so students pay, at most, 40% of the base price and the remaining 60% is paid through a government subsidy. (See Chapter 7 for more information on this approach.)

However, as noted above, the majority of apprenticeships are in technical and trade-based industries, where training costs tend to be higher than average. This means that implementing a consistent approach immediately would lead to a large fee increase for some qualifications. For example, we estimate that the uncapped apprentice fee in 2014 would be around \$4,500 for a Certificate III in Carpentry and Joinery and around \$5,700 for a Certificate IV in Electrical - Instrumentation.<sup>98</sup> This would represent a fee increase of around \$3,000 to \$4,000 compared to the fees that apply under the current arrangements.

To reduce the impact of higher fees on apprentices, trainees and industry, we are recommending that fee arrangements for these students transition to those for other students over several years. We consider that:

- ▼ apprentice and trainee fees should be capped at \$3,000 per qualification in the first year of implementation of Smart and Skilled
- ▼ this \$3,000 cap be increased by \$1,000 each year and eventually be phased out so that all students pay the same fee for the same qualification.

We estimate that the cost to government of capping fees at \$3000 is about \$25 million in 2014.

We acknowledge the concerns raised by some stakeholders that apprentices and trainees are paid low wage rates and that higher fees may have an impact on a decision to commence and complete an apprenticeship or traineeship. However, we consider that moving towards a consistent fee structure for all students is more equitable because:

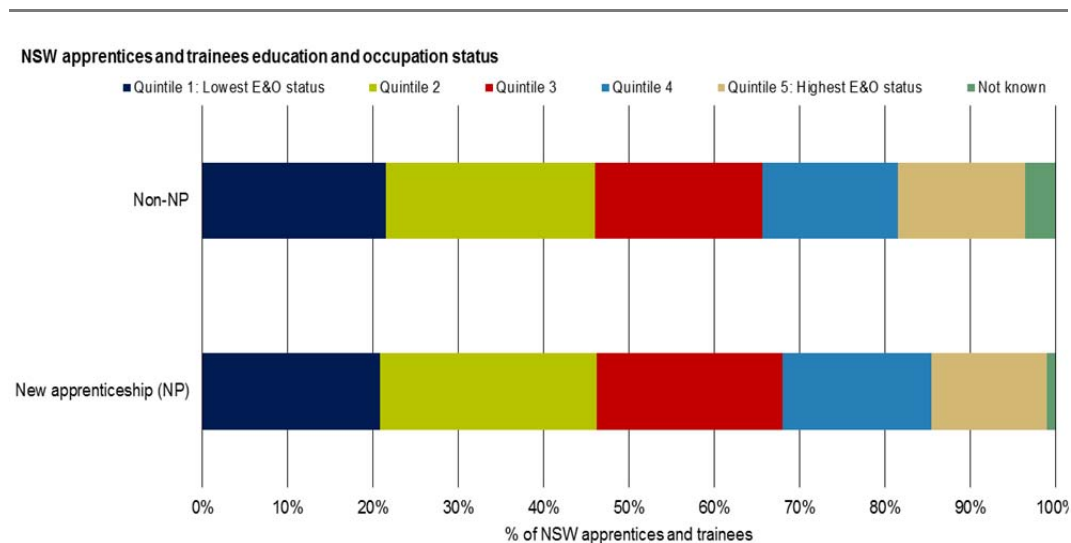
- ▼ Low earnings while acquiring a qualification is not unique to apprentices and trainees: most other full-time students (VET and other) are also likely to have low earnings while they are studying.
- ▼ There is no evidence that apprentices and trainees are more disadvantaged than other VET students: their socio-economic profile appears to be similar to that of other government-funded VET students in NSW (Figure 9.1).
- ▼ The NSW and Australian Governments provide various forms of assistance to apprentices and trainees (Appendix K).

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<sup>98</sup> Uncapped fees are 40% of the base price for an initial qualification.

- ▼ Like other government-funded VET, individuals completing an apprenticeship or traineeship should acquire skills that will be reflected in higher earnings over their lifetime. NCVER has reported the expected wage premium across different trades, with most areas resulting in a wage premium on completion of an apprenticeship or traineeship.<sup>99</sup>

**Figure 9.1 Levels of socio-economic disadvantage of apprentices and other VET students in NSW**



**Data source:** NCVER (2013), National VET Provider Collection, Apprentice / Trainee status 2011, Accessed through VOCSTATS: 24 July 2013.

We also acknowledge that some apprentice and trainee enrolment fees are paid by employers and so, in theory, an increase in fees may impact on employers' decisions to take on new apprentices or trainees. However, we note that both the NSW and Australian Governments currently provide a number of incentives to employers for apprenticeships and traineeships (Appendix K).

#### Draft recommendations

- 18 In principle, the fee arrangements for apprentices and new entrant trainees should be consistent with those for other students.
- 19 In practice, apprentice and new entrant trainee fees should transition towards levels consistent with those for other students to reduce impacts on students and industry:
  - during the first year of Smart and Skilled, fees for apprentices and new entrant trainees should be capped at \$3,000 per qualification.
  - in the subsequent years this cap would be increased by \$1,000 per year until all apprentice and new entrant trainee fees reach the targeted percentage of the base price.

<sup>99</sup> NCVER, *Report 4 The economics of apprenticeships and traineeships*, 2010, p 20.

## 10 Fees for concession students

After we formed our advice on student fees in general (Chapters 7 and 8), our next step was to consider the fees for students who are eligible for concessions and exemptions. Currently, the following concessions and exemptions apply for students who enrol in government-subsidised courses and qualifications:

- ▼ Welfare beneficiaries pay a concession student fee of \$100 per course enrolment per annum. This fee is the same regardless of the qualification level. (Box 10.1 outlines the current eligibility requirements for this fee.)
- ▼ Aboriginal and Torres Strait Islander (ATSI) students are exempt from student fees.
- ▼ Students with a disability are exempt from student fees for one course enrolment per year, and pay the concession fee of \$100 for each additional enrolment per year.

We did not consider the eligibility requirements for these concessions or exemptions. The NSW Government has indicated that under Smart and Skilled, existing eligibility requirements are to be maintained. Rather, we focused on whether the current concession fee arrangements should be maintained under Smart and Skilled, or whether this fee should vary by qualification level or by both qualification level and field of study (ie, whether they should be a proportion of the standard fee). We took account of stakeholder comments and concession fee arrangements in other jurisdictions. We also analysed the likely impacts of different concession fee arrangements on disadvantaged students' participation in VET.

The sections provide an overview of our draft recommendations, then discuss our considerations and analysis in more detail.

## 10.1 Overview of draft recommendations on concession fees

In our view, concession students should continue to receive additional government subsidies in recognition of their lower capacity to pay for VET. However, those doing higher level qualifications should pay more in recognition of the longer duration of training at these levels. Specifically, we consider that the following concession fees are appropriate in 2014:

- ▼ Foundation courses – either \$100 per course or the standard fee, whichever is lower.
- ▼ Certificates I and II – \$200 per qualification.
- ▼ Certificates III and IV – \$400 per qualification.
- ▼ Diploma and Advanced Diploma – \$500 per qualification.

We think these concession fees best support one of the key objectives of the Smart and Skilled reform, which is to provide support for students from disadvantaged backgrounds. VET provides an important pathway into the economy for students from lower socio-economic or disadvantaged backgrounds, and may reduce their dependency on welfare benefits.<sup>100</sup> We note that in 2010, concession students made up around 15% of the government-funded VET market in NSW.<sup>101</sup>

## 10.2 Stakeholder comments on concession fees

Stakeholders generally supported moving to a concession fee per qualification arrangement, but highlighted the need to keep the level of concession fees low to ensure students from disadvantaged backgrounds have equitable access to VET. Several key stakeholders<sup>102</sup> stressed that VET is an essential career pathway for students who are unemployed, have a disability, or are from rural and regional areas and have low income-earning capacity.

Many stakeholders also put the view that increasing the level of the concession fee may have a negative impact on participation rates among the most disadvantaged student groups in VET. For example, NSW TAFE Commission Board noted that with the recent increase in concession fees from \$53 to \$100, students switched to Special Access Courses (that are currently fee exempt) due to financial constraints.<sup>103</sup>

<sup>100</sup> The Productivity Commission reported that the participation of students from lower socio-economic groups in the publicly-funded VET system is greater compared with the higher education sector. Productivity Commission 2011, *Vocational Education and Training Workforce, Research Report*, Canberra, pp 26 and 88.

<sup>101</sup> Exempt students made up a further estimated 10% of this market. Source: IPART analysis of NATSEM VET demand modelling work for DEC.

<sup>102</sup> See Stakeholder Submissions to Issue Paper: including Auswide, April 2013, p 3; SSNSW, May 2013, pp 6 and 8; TAFE WSI, May 2013, p 6; TAFE SWSI, May 2013, pp 8, 10 and 11; VNCA, May 2013, p 6.

<sup>103</sup> NSW TAFE Commission Board, Submission to Issue Paper, May 2013, p15.

Service Skills NSW argued that the concession fee level should be kept fairly consistent for different qualifications, to encourage concession students to pursue the most relevant qualification, rather than to make vocational choices based on price. On the other hand, some industry stakeholders argued that setting higher concession fees for higher qualifications would increase students' commitment and motivation to complete the course in full, and thus reduce the extent to which VET resources are wasted when students enrol and then drop out.

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#### **Box 10.1 Eligibility criteria for concession fees<sup>a</sup>**

Any student who lives or works in NSW and receives one of the following benefits, or is a dependant of someone who does, may be eligible for a concession student fee:

- ▼ Age Pension
- ▼ Austudy (including Veterans' Children Education Scheme)
- ▼ Carer Payment
- ▼ Disability Support Pension (each year the first enrolment is fully fee exempt, concession applies to subsequent course enrolments)
- ▼ Exceptional Circumstances Relief Payment
- ▼ Family Tax Benefit Part A (maximum rate)
- ▼ Farm Help Income Support
- ▼ Mature Age Allowance
- ▼ Newstart Allowance
- ▼ Parenting Payment (Single)
- ▼ Sickness Allowance
- ▼ Special Benefit
- ▼ Veterans' Affairs Payments
- ▼ Widow Allowance, Widow Pension (including Widow 'B' Pension) and Wife Pension
- ▼ Youth Allowance.

Austudy is available to full-time students, apprentices and trainees who are older than 25 years and are undertaking an approved course. Youth Allowance provides financial help for people aged 16 to 24 years who are studying full-time, undertaking a full-time Australian Apprenticeship or looking for work. Eligibility criteria for both payments also include residency requirements and an income and assets test.<sup>b</sup>

<sup>a</sup> TAFE NSW website at <http://northcoast.tafensw.edu.au/ApplyandEnrol/Pages/TAFE-fees-exemptions-concessions-refunds.aspx#question-5m>, accessed July 2013.

<sup>b</sup> Centrelink website at <http://www.humanservices.gov.au/customer/themes/students-and-trainees>, accessed July 2013.

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### 10.3 Concession fees in other jurisdictions

In other states, the level of the concession fee appears to be linked to the level of the full fee, and so varies by qualification level. For example, in Victoria concession fees represent 20% of the full student fee across all fields of study and qualification levels up to Certificate IV.<sup>104</sup> In Western Australia, concession fees represent 50% of the full student fee for the course or qualification.<sup>105</sup>

### 10.4 IPART's considerations and analysis on concession fees

We recognise that the concession fee is not the main driver of student enrolments. However, the available evidence suggests that the choices made by concessions students may nevertheless be influenced by the level of VET fees. For example, the literature suggests financial considerations (such as the mix of student fees and income support while studying) constrain the education choices of low-income students.<sup>106</sup> In addition, anecdotal evidence from stakeholders suggests that students from disadvantaged backgrounds are more price sensitive than other students.

Given this, we analysed the likely impact on the level of concession fees if NSW were to move to arrangements like those in other states, where the concession fee represents a set percentage of the standard student fee for the relevant course or qualification. Our analysis involved:

- ▼ estimating a range for the full student fee for each qualification level, based on our draft recommendations for base prices and student fees for a standard student undertaking their first post-school qualification (as discussed in Chapters 4 and 7)
- ▼ calculating the range for the concession fee for each qualification, based on Victoria's approach of setting concession fees as 20% of the standard fee
- ▼ calculating the difference between this range of fees and the concession fees that currently apply in NSW, to give the range for the increase in concession fees under this option (shown in Table 10.1).

In line with our recommended approaches for calculating base prices and student fees, this approach would mean that concession fees vary by the field or industry area of study, as well as by the level of the qualification, to reflect differences in the cost of delivering the training involved. As Table 10.1 shows, this would lead to substantial increases in the level of concession fees for

<sup>104</sup> Victoria Dept. of Education and Early Childhood Development website at <http://www.education.vic.gov.au/training/learners/vet/Pages/feeconcession.aspx>. Accessed 18 June 2013.

<sup>105</sup> Western Australia Department of Training and Workforce Development - VET fees and charges in 2013. Effective: 1 January 2013.

<sup>106</sup> Long, M & Shah, C 2008, *Private Returns to Vocational Education and Training Qualifications*, NCVET, Adelaide, p 42.

students studying at higher levels in higher cost industries. For example, the concession fee for a student undertaking a Diploma in Civil Construction Design over 2 years would rise from \$200 to \$1,225 per qualification.

**Table 10.1 Potential impact on concession fees if set at 20% of full student fee for the specific course or qualification studied**

Qualification level	Range for fee increase (\$ 2014)
Foundation/Certificate I	-32 to 141
Certificate II	26 to 460
Certificate III	124 to 956
Certificate IV	139 to 1135
Diploma	285 to 1963
Advanced Diploma	258 to 1733

Source: IPART calculations.

In the light of this analysis, we do not consider it appropriate to set concession fees as a fixed percentage of the standard fee. We think that this fee structure would not lead to the best outcome for disadvantaged students. Since these students are likely to be on very tight budgets, it may encourage them to enrol in cheaper courses rather than those that best suit their capabilities and long-term employment prospects. In some cases, it may discourage them from enrolling in any course.

On balance, we consider the most appropriate concession fee structure is one that varies by qualification level, but not by the field or industry area of study. In our view, this fee structure provides an appropriate balance between cost reflectivity and price signals. Compared to fees set as a fixed percentage of the standard student fee, it is likely to provide better outcomes for concession students and may make them less dependent on welfare payments in the long term.

Our draft recommendation below includes recommended concession fees for 2014. These fees reflect our preferred fee structure and have been set with regard to:

- ▼ the average increase in fees faced by other government-funded VET students under our draft recommendations
- ▼ the average number of hours required to complete a qualification at the different levels
- ▼ the additional private returns for Diploma and Advanced Diploma qualifications compared to lower level qualifications.

Draft recommendations

- 20 Concession fees should vary by qualification level, in recognition of the higher average number of hours of training involved in higher level qualifications, and the higher private returns for higher qualifications.
- 21 From 2014/15, the following concession fees should apply:
  - Foundation courses – either \$100 per course or the standard fee, whichever is lower.
  - Certificates I and II – \$200 per qualification.
  - Certificates III and IV – \$400 per qualification.
  - Diploma and Advanced Diploma – \$500 per qualification.



## 11 Impacts on students and government

We have analysed the likely impact of our draft recommendations on price and fee arrangements on VET students and the NSW Government. We focused on students who are eligible for government-subsidised training under Smart and Skilled.<sup>107</sup> These are those who enrol in a VET course or qualification on the skills list **and** meet the Government's age, residency and previous qualification criterion. Students not eligible for government-funded training will be impacted differently. The impact on students will vary depending on which courses and qualifications are included on the skills list. As mentioned previously DEC is developing the skills list to ensure priority qualifications receive government funding. We have based our analysis on a representative set of qualifications that may be included on the skills list.

As noted in Chapter 2, those who undertake VET not included on the skills list will pay a market price for this training, set by the RTO providing the training. Those who already have a Certificate IV or higher level qualification will not be eligible for 'entitlement training', which includes select foundation courses and full qualifications up to and including Certificate III. Those with no previous post-school qualifications will pay an initial qualification fee while those with qualifications at Certificate II or III will pay a subsequent qualification fee. For other 'purchased training', such as skill sets, prevocational training and full qualifications from Certificate IV to Advanced Diploma, Government will offer a limited number of places in priority areas.

The sections below provide an overview of our findings, and then discuss them in more detail.

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<sup>107</sup> We used Government's age, residency and previous qualification criterion and the profile of students identified by NATSEM as part of its current VET demand modelling work for DEC.

## 11.1 Overview of findings on impacts

If the Government implements our draft recommendations, students starting VET courses and qualifications on the skills list from July 2014 are likely to pay different fees to those that current students pay for the same qualifications. The impact on individual students will vary widely – for some students, fees will go down, for others they will go up by a relatively small amount per year, and for others they will go up more significantly. This impact depends on a range of factors including which qualification they undertake, how long they take to complete it, whether they are eligible for a fee concession or exemption, and whether they are an apprentice or new entrant trainee. For example, students who undertake qualifications that are relatively low cost to deliver will see their fees decrease. At the other end of the spectrum, those who undertake qualifications with relatively high levels of teacher hours and/or equipment costs will face increases of more than \$1,000 per year (or \$2,000 per qualification). On average, students who undertake government-subsidised training under Smart and Skilled will pay higher student fees than those undertaking equivalent training today.

Under our recommended student fees, the Government will be able to fund a greater number of VET places than if it maintained fees at the current levels. Our analysis suggests it will be able to fund around 61,000 additional subsidised VET places than under current fees.<sup>108</sup>

## 11.2 Impact on students

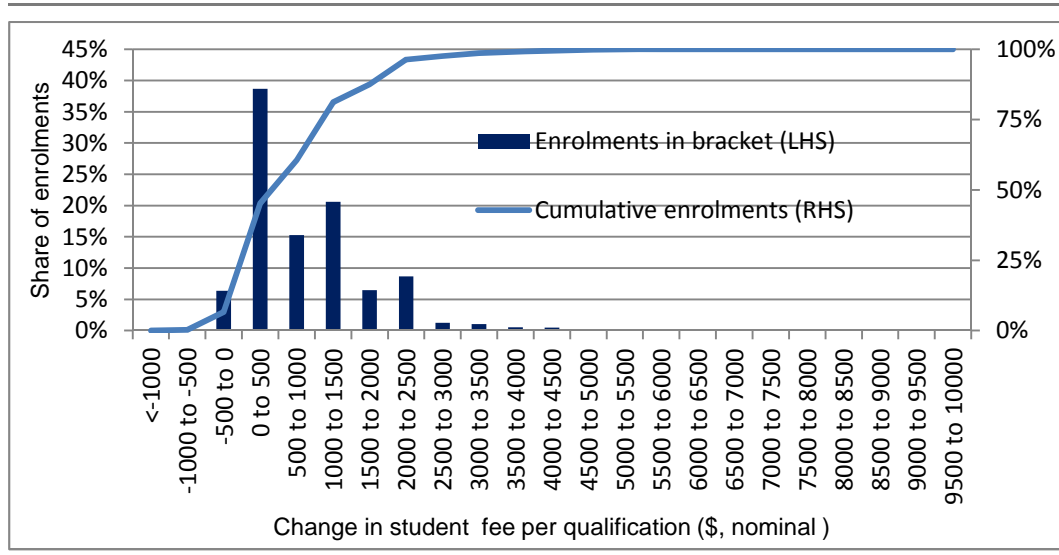
If our draft recommendations on base prices and student fees are implemented, the impacts on fees for individual students will vary widely. The impact on an individual student will depend on a range of factors, including:

- ▼ how many years they take to complete this qualification
- ▼ which qualification they undertake, including the industry group it relates to and the qualification level
- ▼ whether they are entitled to a concession fee or are exempt from paying student fees
- ▼ whether they are an apprentice or new entrant trainee.

Figure 11.1 provides an overview of the impact on all students eligible under Smart and Skilled.

<sup>108</sup> We estimate that the VET market in NSW provides training to more than 450,000 students a year that receive funding from the Commonwealth and/or NSW Government. This figure includes full qualifications, part qualifications, short courses and statements of attainment.

**Figure 11.1 Distribution of fee increases per qualification for all government subsidised students – \$ (nominal)**



Data source: IPART analysis.

### 11.2.1 Fee impacts based on number of years to complete qualification

Under the current arrangements student fees are charged on an annual and per-semester basis. In contrast, under Smart and Skilled, both base prices and student fees will be charged on a per qualification basis. This means that the impact of higher fee levels on a student will depend on the time they take to complete their qualification. We have based our analysis on information we have on time it takes VET students to complete their qualification, which varies by qualification level. The current fee per qualification reflects that a student takes 1.5 years to complete a Certificate I or Certificate II, and 2 years to complete a higher level qualification. Apprentices on average take 3.5 years to complete the training component of their qualification.

### 11.2.2 Fee impacts based on qualification level and industry group

The impact on students will vary depending on the qualification they undertake for 2 reasons:

- ▼ the base price for qualifications on the skills list will vary both by industry group and qualification level (to reflect the different costs of providing the training involved), and
- ▼ the fee for a standard student will reflect around 40% to 45% of the base price.

Looking at all students who pay the standard student fee (ie, those not eligible for concessions or exemptions and who are not apprentices or trainees), we estimate that:

- ▼ **Around 16% will see a fee decrease.** This is because the course or qualification they are undertaking involves relatively low costs and students doing the same qualification currently pay a higher share of these costs than is appropriate.
- ▼ **Around 24% will face a fee increase of less than \$500 per qualification.** If they take 2 years to complete the qualification, they will pay up to an additional \$250 per year.
- ▼ **Around 37% will face a fee increase of between \$500 and \$1500 per qualification.** If a student takes 2 years to complete the qualification, they will pay up to an additional \$750 per year.
- ▼ **Around 22% will face a fee increase of more than \$1,500 per qualification.** These are likely to be students undertaking a qualification that involves relatively high costs, and/or one where the current student fee reflects a lower share of those costs than is appropriate. If they take 2 years to complete the qualification, they will pay at least an additional \$750 per year (Table 11.1).

**Table 11.1 Distribution of fee increases for first qualifications by qualification level (% of enrolments)**

Fee increase	Certificate I	Certificate II	Certificate III	Certificate IV	Diploma & Advanced Diploma	All
\$ per qual (nominal)	%	%	%	%	%	%
Less than 0	17	0	0	24	24	16
0 to 500	46	14	12	30	28	24
500 to 1000	36	57	43	27	8	27
1000 to 1500	0	20	13	7	8	10
More than 1500	0	9	32	11	32	22
Total	100	100	100	100	100	100

**Note:** The current fee per qualification assumes that a student takes 1.5 years to complete a Certificate I or Certificate II, and 2 years to complete a higher level qualification. Fee increases include both initial and subsequent qualifications. Totals may not add due to rounding.

**Source:** IPART calculations.

Looking at the different qualification levels, more than 85% of students undertaking a Certificate II and Certificate III qualification will face a fee increase of more than \$500<sup>109</sup> (Table 11.1). Based on the typical time taken to complete these qualifications, this translates to at least an extra \$250 to \$330 per year. These students are more likely to be undertaking training in industry groups

<sup>109</sup> Compared to 36% for Certificate I and less than 50% for Certificate IV and higher.

with relatively high training costs, and current fees for this training are further away from the appropriate share.

Almost 25% of students undertaking a Certificate IV or higher qualification will pay lower fees, and roughly 30% will pay no more than \$500 more (Table 11.1). Based on the typical time taken to complete these qualifications, this translates to no more than an extra \$250 per year. The training these students are undertaking tends to involve relatively low costs, and current fees for this training are closer to the appropriate share of these costs.

Students undertaking some higher level qualifications will face fee increases of more than \$1,500, while those undertaking high-cost qualifications could face increases of \$6,000 or more per qualification. These higher fee increases reflect the high number of teacher hours and/or costly equipment involved. For example, Certificate III in Flooring Technology is a high cost course as it involves a larger number of teacher hours and equipment costs. Diploma of Nursing (Enrolled-Division 2 nursing) however is high cost as it involves a high number of teacher hours. Further examples of these high-cost qualifications include:

- ▼ Certificate III in Cabinet Making
- ▼ Certificate IV in Engineering
- ▼ Certificate IV in Electrical – Renewable Energy
- ▼ Diploma of Laboratory Technology
- ▼ Diploma of Furniture Design and Technology
- ▼ Advanced Diploma of Interior Design.

### **11.2.3 Fee impacts based on entitlement to a concession fee or exemption from paying fees**

Currently, all students eligible for a concession fee pay a flat fee of \$100 per year (except those studying fee-exempt courses). Under Smart and Skilled, concession fees will be set on a qualification basis (in line with base prices and standard student fees). They will also vary by qualification level – ranging from \$100 for a Foundation Skills course to \$500 for Diploma or Advanced Diploma.

The impact on individual students will depend on the qualification level they undertake and the amount of time they would take to complete it. For example, under the current arrangements, a student who takes 2 years to complete a Certificate III qualification will pay \$200 in fees, while another student who studies part-time and takes 4 years will pay \$400. Under our recommended arrangements, the first student will pay an additional \$200, while the second student will pay the same fee.

### 11.2.4 Fee impacts for apprentices and new entrant trainees

Under the current arrangements, these students' fees are much more heavily subsidised than other VET students'. Because we have recommended moving towards consistent arrangements, apprentices and trainees may face larger fee increases than other students, particularly if they are undertaking a higher level qualification in a high-cost industry group.

Fees for almost all apprentices and about three-quarters of trainees will increase by \$1,000 or more per qualification (Table 11.2). We have recommended that fee increases for apprentices and trainees be capped at \$3,000 per qualification in 2014 to ensure that no individual student faces a higher fee increase than this. If a student facing this maximum fee increase takes 3.5 years to complete their qualification, they pay an additional \$379 in fees per year.

**Table 11.2 Distribution of fee increases for apprentices and trainees by qualification level (% of enrolments)**

Fee increase	Certificate II	Certificate III	Certificate IV	Diploma & Advanced Diploma <sup>a</sup>	All
\$ per qual (real 2013/14)	%	%	%	%	%
<b>Apprentices</b>					
Less than 0	0	0	0	0	0
0 to 500	0	0	0	0	0
500 to 1000	78	0	0	0	0
1000 to 1500	17	56	56	12	55
More than 1500	5	44	44	88	44
Total	100	100	100	100	100
<b>Trainees</b>					
Less than 0	0	0	0	0	0
0 to 500	5	0	0	0	1
500 to 1000	73	20	5	0	27
1000 to 1500	20	60	61	0	53
More than 1500	3	19	34	100	20
Total	100	100	100	100	100

<sup>a</sup> There are no Certificate I apprenticeships or traineeships, no Advanced Diploma apprenticeships and very few Advanced Diploma traineeships.

**Note:** The current fee per qualification assumes that apprentices are enrolled for 3.5 years and trainees are enrolled for 1 year for Certificate II qualifications and 2 years for higher level qualifications. Totals may not add to 100 due to rounding.

**Source:** IPART calculations.

### 11.3 Impacts on the Government

We have also considered the trade-offs between the level of student fees, the Government budget and the amount of training that can be funded on the skills list. We estimate that, if the budget for VET does not change, without fee increases, the Government will be able to fund a fewer number of VET places. Our analysis suggests that, without fee increases the NSW Government would provide around 61,000 fewer subsidised VET places in 2014/15, compared to if fees are increased.<sup>110</sup>

However, there will be trade-offs between the number of government-funded places, the types of qualifications on the skills list and the Government budget available under Smart and Skilled. For example, if the skills list includes a greater number of higher cost courses, the number of government-subsidised places under Smart and Skilled with the same budget will be lower than our estimates indicate.

In particular, if the budget for VET does not change, and student fees were set to reflect 30% of the base price<sup>111</sup> (rather than 40%), the Government would subsidise around 29,000 fewer VET places than if fees are increased to our recommended levels.

We also note the impact of the continued funding of OBF for TAFE NSW. These costs reflect the higher costs incurred by TAFE as a result of the competitive disadvantage it faces due to public ownership. We estimate that a reduction in OBF of \$20 million could be used to fund an additional 10,000 VET places under our recommended prices and fees.

<sup>110</sup> The VET market in NSW provides training to more than 450,000 students a year that receive funding from the Commonwealth and/or NSW Government. This figure includes full qualifications, part qualifications, short courses and statements of attainment.

<sup>111</sup> This assumes a \$3000 cap on apprentices/trainees and concessions paying lower fees as per our recommendations.

## 12 Reporting on quality of training under Smart and Skilled

Our terms of reference indicate that our recommended price and fee arrangements should encourage “quality training delivery at the most efficient price”. They also require that in developing this methodology, we consider its potential impact on the quality of training provided under Smart and Skilled. The sections below outline our considerations and draft recommendations in relation to quality.

### 12.1 Overview of considerations and draft recommendations on quality

As previous chapters have noted, to encourage quality training delivery at an efficient price, our recommended methodology aims to set prices so they reflect the efficient costs an RTO is likely to incur in providing training to the required quality standard. This method takes account of the key cost components, and the drivers of variations in those components, and reflects these through specific fixed and variable price components. It uses nationally agreed nominal hours to estimate the efficient costs of providing the training required to complete specific Units of Competency (UoC) and qualifications. We are confident that the prices it establishes will be sufficient for an efficient RTO to provide training to the required quality standard.

Under Smart and Skilled, quality will be regulated by the Australian Skills Quality Authority (ASQA) through the National VET Regulatory Framework (NVRF). It will also be regulated by DEC through the Smart and Skilled Quality Framework (SSQF), which will establish additional assessment criteria for RTOs approved to deliver training under the program.

The precise frameworks to apply in 2014 are not yet finalised.<sup>112</sup> Our draft methodology and the resulting base prices should ensure that an efficient RTO will provide training to the required quality standard. As noted in Chapter 4, we are recommending that DEC should collect information on units of competency delivered in a qualification and actual hours of training delivery per qualification to ensure the base prices that are set remain cost-reflective and to identify RTOs which may warrant a closer investigation of quality.

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<sup>112</sup> The NVRF is currently being refined, and the SSQF is due to be released later in 2013.



In addition, as Smart and Skilled introduces a demand driven system where students can elect to study at the RTO of their choice, we consider it important that customers have sufficient information on an RTOs performance to make an informed choice.

## 12.2 Quality framework under Smart and Skilled

The SSQF and the NVRF are both being refined.<sup>113</sup> The changes and refinements to these frameworks aim to address concerns about the quality of VET and raise the consistency and standard of VET delivery. These changes should also address in part concerns expressed by some stakeholders responding to our Issues Paper regarding the quality of VET. Stakeholders commented on:

- ▼ the variable quality of VET, and variation in the price and duration of study required to complete qualifications<sup>114,115</sup>
- ▼ the National Skills Standards Council review of regulatory standards for VET which has proposed lifting the bar to become an RTO and the implications this has for establishing efficient prices<sup>116</sup>
- ▼ potential costs of VET failing to deliver quality training, impacts on labour force productivity and impacts on potential users trying to avoid poorer quality RTOs<sup>117</sup>
- ▼ lack of information available to learners and business on the comparative performance of RTOs and inadequacy of information available on MySkills website.<sup>118</sup>

<sup>113</sup> See Appendix B for more information on the SSQF, the NVR framework and reforms to the NVR.

<sup>114</sup> NSW TAFE CB, Submission to Issues Paper, May 2013, p 7.

<sup>115</sup> TAFE CA, Submission to Issues Paper – article by Phillip Toner, *Response to Productivity Commission's draft Research Report on VET workforce*, provided as an attachment to submission, May 2013, p 26.

<sup>116</sup> NSW TAFE CB, Submission to Issues Paper, May 2013, p 7.

<sup>117</sup> TAFE CA, Submission to Issues Paper, May 2013, pp 15, 17.

<sup>118</sup> NSWTF, Submission to Issues Paper, p 2 and p 10.

### **12.3 Relationship between price and quality in our recommended methodology**

As Chapter 4 discussed, our recommended methodology for determining the base price per qualification establishes a fixed cost component (\$ per enrolment) plus a variable cost component that reflects the differing costs associated with training for different industry areas and qualification levels (\$ per nominal hour). Initially we consider that base prices should be based on TAFE's typical combination of units of competency per qualification. We propose that if the national accredited nominal hours be used to determine the total base price students should be able to be trained to the necessary standards. Some students may require more teacher hours and some students may require less.

Given that students are not homogenous it is important that the quality framework monitors outcomes to ensure that RTOs are not systematically reducing the number of teacher hours. Our recommendations concerning information on base prices set out in Chapter 4 will address these concerns.

### **12.4 Important information for students in a demand driven VET market**

Any effective market requires that customers have sufficient information to make an informed choice. In addition to the current reforms to the quality framework, we consider that information on the performance of individual RTOs should be made publicly available. RTOs should also provide transparent information on any personal costs (such as text books and other personal equipment) that a student will incur.

#### **Increased information about RTOs performance**

Information about individual RTO performance should be made publicly available, to help individuals and employers assess potential training providers' quality before making training decisions.

Nationally, there are a number of websites providing some information about RTOs and training outcomes: the ASQA website,<sup>119</sup> My Skills website<sup>120</sup> and the national register - training.gov.au.<sup>121</sup> While these sites provide some useful information, we consider that there should be more information at the level of the RTO that provides relevant information on an RTO's quality, such as:

- ▼ the results of student and employer surveys and a way of comparing results across other RTOs
- ▼ a summary of key audit findings
- ▼ information about the number of complaints received against an RTO, and
- ▼ de-identified information about the substance of complaints, whether they were upheld and if so how they were resolved.

As set out in Chapter 4, our recommended base prices include teacher costs, course-specific costs (such as facilities, equipment and teaching supplies), recurrent costs (such as administrative staff, utilities) and capital costs (captured through a margin on operating costs). They do not include any personal costs a student might incur (such as text book and personal equipment costs).

Transparent disclosure of all costs is important to the development of effective competition in the VET market. We are therefore recommending that RTOs publish information on any personal costs that a student will incur in studying a qualification.

#### Draft recommendation

- 22 DEC should publish information about individual RTO performance to help students and employers assess potential providers' quality before making training decisions.
- 23 RTOs should publish information on any personal costs a student will incur in studying a qualification.

<sup>119</sup> ASQA website (<http://www.asqa.gov.au/about-asqa/regulatory-decisions/asqa-decisions.html>) publishes information about decisions to impose sanctions or conditions on an RTO, to suspend an RTO from delivering a qualification or reject an application to renew an RTO's application.

<sup>120</sup> My Skills website ([www.myskills.gov.au](http://www.myskills.gov.au)) publishes information about VET qualifications and training organisations.

<sup>121</sup> The TGA website is targeted at experienced training sector users and is not designed to be readily accessible by the potential students or employers as it requires users to know RTO and course names or training codes.

## 13 Payment arrangements for government subsidies and student fees

Payment arrangements refer to the timing or staging of payments to RTOs for government subsidies (discussed in Chapters 4 to 6) and student fees (discussed in Chapters 7 and 8) under Smart and Skilled. This timing is important, as it affects the RTO's revenue, and thus can influence the viability of providing government-subsidised courses. The timing can also affect the incentives created for RTOs to offer training to certain student groups, and for students to commence or complete courses and qualifications.

To form our advice on the timing of government and student payments to RTOs, we considered these issues, as well as stakeholders' comments and the current payment arrangements under the Strategic Skills Program (SSP) and the NSW Apprenticeship and Traineeship Training Program (ATTP). The sections below provide an overview of our considerations and draft recommendations, then discuss our considerations in greater detail.

### 13.1 Overview of considerations and draft recommendations on payment arrangements

Based on our considerations, we consider that the timing of government and student payments to RTOs should be staged so an RTO's receipt of revenues matches its incurrence of costs.

In relation to the payment of student fees, we consider RTOs are best placed to match these payments with their costs. Therefore, there is no strong reason for regulating the timing of student fee payments. RTOs should have the discretion to determine when they charge student fees. However, to assist students in making a choice between providers, RTOs should be required to publish the timing of payments for student fees.

In relation to the payment of government subsidies – including the Government's share of the base price, any loadings that apply, and any payments for concession students, – we consider that the Government should continue the current system of paying RTOs in instalments. However, the timing of student payments will affect how Government should stage its payments to reflect the principle above.

Under current arrangements, students are charged either annual or six-monthly fees prior to commencing training. Should these arrangements continue, we suggest that the following modifications to Government payments would better reflect the principle above:

- ▼ The part of the subsidy that reflects the difference between the base price and the student fee, plus any loadings that apply, should be distributed over the qualification period so that a smaller portion is paid at the start of the training (eg, 20% on commencement, 40% at the mid-point, and 40% on completion).
- ▼ The part of the subsidy that reflects the Government's payment of student fees for concession and exemption students should be made prior to training being undertaken (eg, 50% on commencement and 50% at the midpoint).

Note that we have not provided advice in relation to CSO payments for thin markets. As decisions about making these payments are a matter for government (see Chapter 6), we consider the appropriate timing of the payments should also be negotiated between government and TAFE and ACE.

## 13.2 Principles for payment arrangements

Stakeholders expressed a range of views on the timing of payments to RTOs. In relation to payments from government, the majority largely supported the current payment arrangements under the ATTP and SSP<sup>122</sup>. However, several stakeholders argued for changes in the relative size and timing of these payments.<sup>123</sup> Some argued that the payment should be linked to the completion of modules or UoCs,<sup>124</sup> while others argued they should be linked to student competency or quality criteria.<sup>125</sup>

In relation to payments from students, several stakeholders supported arrangements that required the students to pay a greater proportion of their fees

<sup>122</sup> Individual - Ostermann, Submission to Issues Paper, May 2013, p 4; TAFE Western Institute, Submission to the Issues Paper, April 2013, p 7; Master Plumbers Association of NSW, Submission to Issues Paper, May 2013, p 11; Manufacturing Skills Australia, Submission to the Issues Paper, May 2013, p 12 and The Mask Academy, Submission to Issues Paper, April 2013, p 1.

<sup>123</sup> For example, TAFE WSI Submission to Issues Paper, April, p 7; Auswide, Submission to Issues Paper, May 2013, p 3; VCNA, Submission to Issues Paper, May 2013, p 7.

<sup>124</sup> VCNA, Submission to Issues Paper, May 2013, p 7; MSA, Submission to Issues Paper, May 2013, p 11; TAFE SWSI, Submission to Issues Paper, May 2013, p 11.

<sup>125</sup> MSA, Submission to Issues Paper, May 2013, p 11; Bureau Veritas Asset Integrity and Reliability Services, Submission to Issues Paper, May 2013, p 6; TAFE NSWCB, Submission to Issues Paper, May 2013, p 17.

upfront.<sup>126</sup> Others favoured payments being evenly distributed over the training period, for ease of administration.<sup>127</sup>

After considering stakeholders' comments, we identified 2 broad principles that could be used to guide decisions about the timing of payments to RTOs:

- ▼ Payments should be staged so an RTO's receipt of revenues matches its incurrence of costs. For example, if an RTO incurs a relatively large proportion of its costs when a student commences training, it should receive an equivalently large proportion of its revenues at this time.
- ▼ Payments should be staged to encourage higher student completion rates. For example, this might be done by students paying more at commencement, and/or by government paying more at completion.

However, we note that the extent to which the timing of payments should be used to try to encourage higher student completion rates depends on the extent to which RTOs can influence the key drivers of these rates. If these drivers are outside of the control of RTOs, this principle could create perverse incentives. For example, it could encourage RTOs to exclude groups of students or courses that typically have low completion rates.

Since the evidence we have reviewed suggests that the main drivers of completion rates are outside RTOs' control (see Box 13.1), it is our view that payment arrangement should focus on the principle of an RTO's receipt of revenue matching its incurrence of costs.

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<sup>126</sup> TAFE WI, Submission to Issue Paper, p 7; Bureau Veritas Asset Integrity and Reliability Services, Submission to Issues Paper, p 6.

<sup>127</sup> Auswide, Submission to Issues Paper, April 2013, p 3; Individual - Ostermann, Submission to Issues Paper, May 2013, p 4; VNCA, Submission to Issues Paper p 4; MPA, Submission to Issues Paper, May 2013 NSW p 11.

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**Box 13.1 Drivers of completion rates**

Average completion rates for VET qualifications are very low. For example, previous research found that the likelihood that a student starting a qualification in NSW in 2009 would complete that qualification was 36.7%.<sup>a</sup>

Completion rates also vary across types of students, types of courses and pathways. For example, this research found that the likelihood that a student starting a course in Australia in 2009 would complete the course was 51.5% for those studying in the education field, and only 21.2% for those studying in the food, hospitality and personal services field.

Average completion rates for apprenticeships are higher than for other VET pathways, at around 50% Australia-wide. There has been extensive analysis of apprenticeship completion rates. This research has found that the major drivers of these rates relate to student characteristics (including indigenous status, age, highest school level completed) and the qualification level.<sup>b</sup>

<sup>a</sup> NCVER, Australian vocational education and training statistics: Likelihood of completing a VET qualification, 2006-09.

<sup>b</sup> Ibid.

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### 13.3 Payment arrangements for student fees

Under the current system, students are charged either annual or six-monthly fees for undertaking their qualification. These fees are paid prior to the commencement of training (ie, at the beginning of the year or semester). For example, TAFE NSW charges either an annual fee (which is payable prior to commencing training), or 2 equal 6-monthly instalments (payable prior to the start of the first and second semester).

We consider that there is no strong reason to regulate student fee arrangements. The only rationale for regulating the timing of student fee payments would be if a training provider had excessive market power, and therefore choose to charge the entire student fee upfront. On balance, we consider that competition between RTOs is likely to be sufficient so that these arrangements take account of student needs and preferences. In addition, we consider RTOs are best placed to understand and manage their student fee arrangements to balance their own revenues, the incentives for students to complete the training they commence, and other factors such as their administrative requirements and student preferences.

We consider it likely that these arrangements are broadly consistent with the principles discussed above. In addition, we note that these arrangements are practical, in that RTOs are unlikely to be able to enforce the payment of student fees without requiring this payment prior to commencement of training.

Therefore, we consider that RTOs should have the discretion to determine their own payment arrangements for student fees. They should also be required to publish this information so that students have adequate information to make a choice between providers. If there is a concern that in some sub-sections of the market there may be only one RTO offering training then as part of the tender process RTOs could be made to indicate their proposed student payment schedule. DEC could review this as part of the tender process to ensure students are not being disadvantaged.

### 13.4 Payment arrangements for government subsidies

Under the SSP, the NSW Government makes payments to RTOs currently in 3 stages – 34% on commencement, 33% at the midpoint of training and 33% on completion. We understand that:

- ▼ To receive the payment at commencement, the RTO must lodge data that demonstrates a student has commenced training (ie, has commenced *and* has interacted and is participating)<sup>128</sup> in at least one UoC.
- ▼ To receive payment at the mid-point, the RTO must have delivered training in at least half the UoCs in the qualification. In practice, it can be difficult to measure when half of the UoCs have been delivered. For example, some RTOs deliver UoCs holistically, so all UoCs commence and end at the same time and undertake the entire duration of the qualification to deliver. Given this, DEC has made payments when the RTO lodges data that shows a student has progressed through a qualification (ie, has completed at least one UoC (and a payable outcome has been recorded) *or* has commenced training in at least one additional UoC (and has interacted and is participating)).<sup>129</sup>
- ▼ To receive payment at completion, the RTO must show that it has delivered all UoCs in the qualification, and has recorded a payable outcome for all.<sup>130</sup>

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<sup>128</sup> 2011-12 Approved Providers List Contract (as varied from 1 January 2013), Schedule 1, clause 1.16.

<sup>129</sup> Note that the formal contract definition suggests training should have been complete in half of the units of competency but that this has been found to be difficult to work with administratively, see 2011-12 Approved Providers List Contract (as varied from 1 January 2013), Schedule 1, clause 1.37.

<sup>130</sup> Payable outcomes include competency achieved/pass, competency not achieved fail, withdrawn, recognition of prior learning – granted, recognition of current competency – granted. See 2011-12 Approved Providers List Contract (as varied from 1 January 2013) Available from:  
[https://www.training.nsw.gov.au/forms\\_documents/industry\\_programs/business\\_services/2011\\_2012\\_apl\\_contract\\_varied.pdf](https://www.training.nsw.gov.au/forms_documents/industry_programs/business_services/2011_2012_apl_contract_varied.pdf) Accessed 23 June 2013.



Under the ATTP, the Government makes payments in 3 instalments in each year. Similar to the SSP, RTOs are required to demonstrate progression through a qualification to receive these payments.

As noted above, many stakeholders support continuing similar arrangements under Smart and Skilled. It is our view that Government should continue to pay instalments.

Under current arrangements, students are charged either annual or six-monthly fees for undertaking their qualification. Should these arrangements continue we suggest that the following modifications to Government payments would better reflect the principle above:

- ▼ Government should adjust payments so that a smaller proportion of the subsidy is paid up front than is currently the case – for example 20% on commencement, 40% at the mid-point and 40% on completion. If student payments are made prior to the commencement of training (ie, at the beginning of the semester or year) then RTOs' revenues will be 'front-loaded' to match their costs at the start of the training period. Therefore, government payments should be relatively lower at this time. This would also mean that Government is making lower contributions than under current arrangements for students that do not complete their training. We recognise that, if payments from the government are 'backloaded' that may encourage RTOs, when negotiating fee arrangements with students, to front load the payment of student fees. However, we consider that competition between RTOs is likely to be sufficient so that fee arrangements take account of student needs and preferences.
- ▼ For the part of the Government subsidy associated with payments for concession and exemption students, the Government should also make payments for the part of the Government subsidy associated with payments for concession and exemption students before the training is delivered. This reflects our view that the timing of government payments for concession and exemption students should be similar to the timing of other student payments. For example, depending on how other student fees are charged, it could pay 50% on commencement and 50% at the mid-point of training.

### 13.5 Payment arrangements for Recognition of Prior learning

Recognition of Prior learning (RPL) is an assessment process where a learner's skills and knowledge acquired through previous training, work or life experience is assessed to determine whether she or he has achieved the competency standards specified in AQF qualifications and accredited courses.

In order to grant RPL, an RTO must be confident that the student is currently competent against the endorsed industry or enterprise competency standards or outcomes specified in the Australian Qualification Framework (AQF) accredited courses. The assessment process for RPL may take a variety of forms and could include evidence on certification, references from past employers, testimonials from clients and work samples.<sup>131</sup> The cost of undertaking RPL will vary depending on the assessment process.

ACPET submitted that a 100% subsidy for RPL is inappropriate and suggest setting a limit of about 50% for RPL is reasonable as while RPL can reduce delivery costs, there remains a significant cost for a quality RPL process.<sup>132</sup> We agree that if the costs of undertaking RPL are lower than delivering the training this should be reflected in both the student fees and government subsidy.

We note that in Victoria RTO's are paid 50% of the subsidy that they would have received for delivering the UoC. We propose that it may be appropriate to have a similar arrangement to that in Victoria for Smart and Skilled. We invite comment on whether student fees and the government subsidy for any units accredited as RPL be set at 50%. We note that for **recognition** of an equivalent unit of competency completed at a different RTO, there should be no charge.

## 13.6 Summary of our recommendations

Draft recommendations

- 24 The timing of government and student payments to RTOs should be staged so an RTO's receipt of revenues matches its incurrence of costs.
- 25 RTOs should have discretion over the timing of student fee payments, but should be required to publish information on this timing.

IPART seeks comments on the following

- 1 Whether the payment of student fees and the government subsidy for any units accredited as Recognition of Prior Learning (RPL) should be set at 50%.

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<sup>131</sup> NSW Department of Education and Training, Recognition Guide for Registered Training Organisations, 2009. Available from: [http://www.training.nsw.gov.au/forms\\_documents/industry\\_programs/skillsonline/rpl\\_rto\\_guide.pdf](http://www.training.nsw.gov.au/forms_documents/industry_programs/skillsonline/rpl_rto_guide.pdf), Accessed 17 July 2013.

<sup>132</sup> Australian Council for Private Education and Training, submission to Issues Paper, p 4.

## 14 Arrangements for adjusting base prices and student fees over time

The base prices and student fees developed through the methodology discussed in the previous chapters need to be adjusted over time – to ensure they continue to reflect efficient costs and an appropriate sharing of costs between the Government and students. Our typical approach to adjusting prices for regulated businesses is to make annual adjustments each year, and undertake major reviews on a less frequent basis. This keeps the administrative and regulatory costs of price adjustments relatively low. We consider this to be an appropriate approach for adjusting base prices and student fees under Smart and Skilled.

The section below provides an overview of our recommended arrangements for future price and fee adjustments. The subsequent sections discuss our considerations in relation to annual adjustments and major reviews in more detail.

### 14.1 Overview of draft recommendations on future price and fee adjustments

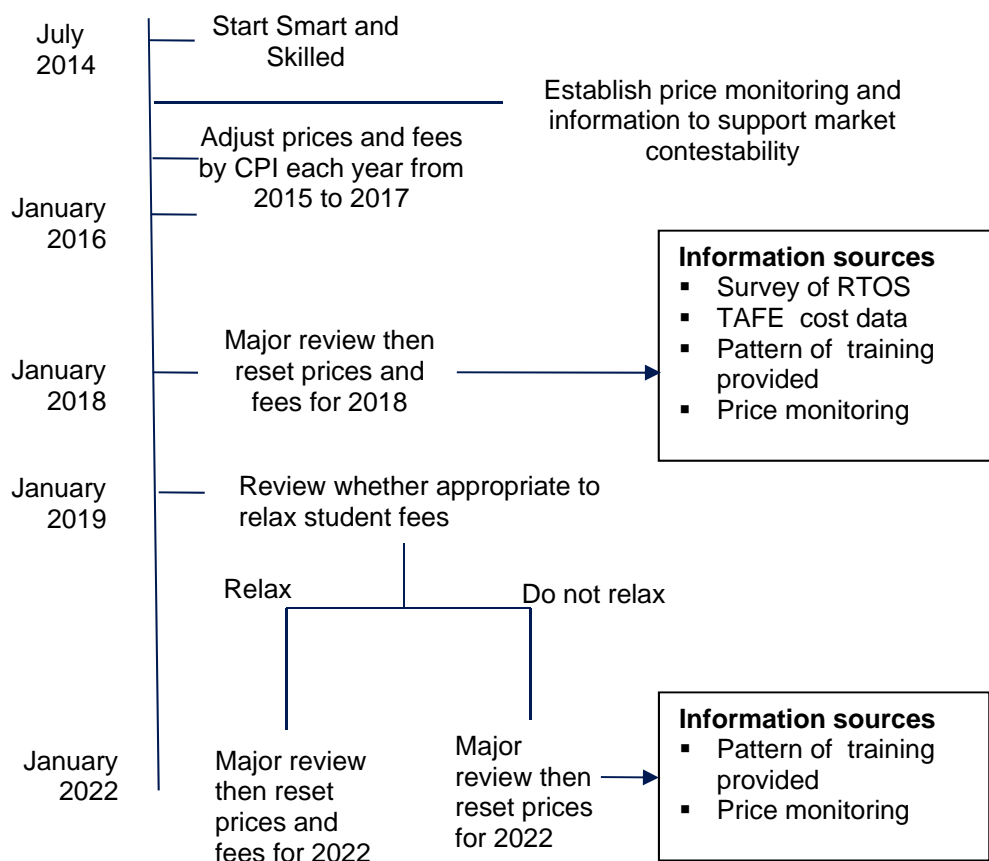
We consider that base prices and student fees should be adjusted each year on 1 January (starting in 2015). This adjustment should be in line with the change in the Consumer Price Index (CPI, All groups Sydney) over the previous year.

The adjusted base prices and student fees for each year should apply to students who are new enrolments in that year. These prices and fees should continue to apply to them until they complete the qualification they enrolled in.

A major review to reset base prices and student fees should be undertaken in time for the price change on 1 January 2018. After that, a review of whether student fee regulation could be relaxed or removed should be undertaken, with decisions to apply from 1 January 2019.

Figure 14.1 provides a timeline for our recommended adjustments and reviews.

**Figure 14.1 Timing of base price and student fee adjustments and reviews**



Data source: IPART.

## 14.2 Stakeholder comments on adjusting base prices and student fees over time

Stakeholders largely supported regular periodic reviews of prices and fees to update key inputs and revise how any changes in the VET policy setting may affect prices. Several stakeholders supported periodic price reviews and built-in annual adjustments of base prices, fees and subsidies in between reviews.<sup>133</sup> These stakeholders suggested that, at a minimum, prices and fees should be adjusted by CPI each year.<sup>134</sup>

<sup>133</sup> Auswide, Submission to Issues Paper, May 2013, p 3; HMEN, Submission to Issues Paper, May 2013, p 4; BT, Submission to Issues Paper, May 2013, p 10.

<sup>134</sup> Auswide, Submission to Issues Paper, May 2013, p 3; HMEN, Submission to Issues Paper, May 2013, p 4; BT, Submission to Issues Paper, May 2013, p 10.

NSW TAFE SWSI noted that the timing of reviews should ensure that students and industry have sufficient time to make informed decisions about their intended program of study.<sup>135</sup> Stakeholders generally preferred a shorter period of time between periodic reviews (3 years) than we proposed in the issues paper (5 years). For example, SSNSW, NSW SWSI, and TAFE NSWCB proposed an annual price review for the first 3 years of Smart and Skilled, followed by subsequent reviews every 2 years.<sup>136</sup>

In addition, SSNSW argued that certain aspects of the methodology - such as the determination of 'thin markets' and the appropriateness of Field of Education classifications to determine Unit of Competencies base prices - should continue to be reviewed on an annual basis.<sup>137</sup>

### 14.3 Annual adjustments

The base prices and student fees reflect the estimated cost of providing each qualification for 2014. This cost will change from year to year, due to changes in wages and other costs. Some mechanism is required to adjust base prices and fees each year, to reflect these annual changes in cost. The sections below discuss our considerations on the appropriate mechanism to use, when and how the adjustment should be made, and which students the adjusted prices and fees should apply to.

#### 14.3.1 What is the appropriate mechanism?

In other industries we regulate, we have used 2 mechanisms to guide annual price adjustments:

- ▼ a cost index specific to the industry (such as the Bus Industry Cost Index), and
- ▼ the change in the CPI (or a subset of the CPI).

After considering the advantages and disadvantages of these mechanisms, we think the change in the CPI for Sydney is most appropriate for adjusting base prices and student fees in the years between major reviews to reset those prices and fees.

#### Industry-specific cost index

Industry-specific cost indices are most useful when the cost includes significant volatile components (such as fuel), or when an industry's costs tend to increase at a different rate to general prices.

<sup>135</sup> TAFE SWSI, Submission to Issues Paper, May 2013, p 8.

<sup>136</sup> SSNSW, Submission to Issues Paper, May 2013, p 8; TAFE SWSI, Submission to Issues Paper, May 2013, p 12 and the TAFE NSWCB, Submission to Issues Paper, May 2013, p 19.

<sup>137</sup> SSNSW, Submission to Issues Paper, May 2013, p 8.

The major component of education costs is the wages of teachers and other staff. Teacher wages are determined through enterprise agreements (for TAFE teachers, managers and administration and support staff), or through the Award or individual contracts. Given the importance of teacher wages, an industry-specific cost index could seek to incorporate wage bargaining outcomes, or use generic wage increases. Because the NSW Government is providing operational base funding to TAFE to reflect the higher wages paid to TAFE staff, there is no clear feed-through of wage bargaining outcomes to base prices.

An alternative would be to use an economy-wide wage measure, such as the Wage Price Index. However, this will not necessarily reflect the wages paid to vocational education and training staff.

Because a good measure of the major cost associated with vocational education and training – wage costs – is not readily available, there is no real advantage in using an industry-specific cost index in this instance.

### Consumer Price Index

The CPI measures the change in the prices paid by consumers for a basket of Australian produced and imported products. This change, which can be measured for Sydney or for all Australian capital cities, reflects:

- ▼ wage outcomes across the relevant region
- ▼ the movement in the exchange rate, which is passed through in the price of imported products and Australian-produced traded goods, and
- ▼ the change in productivity.

The CPI identifies education as a separate sub-component of prices. This includes primary school fees (government and private), secondary school fees (public and private) and tertiary fees (university and vocational education). Education prices have risen more quickly than other goods and services over the past few years. The extent to which this is due to cost rising more quickly or a greater share of costs of education services being borne by consumers is not clear. Reflecting this, we do not consider that the education CPI alone should be used to adjust base prices and student fees.

An alternative is to use the broad consumer price index. The main advantage of this is that it reflects the general wage increases and productivity gains in the economy, and is widely applied to other regulated businesses. The disadvantage is that it reflects prices for imported and Australian produced goods and services. This could mean, for example, that a falling exchange rate increases imported prices by more than the prices of non-traded goods and services such as education. However, the impact of this is likely to be small. The Reserve Bank of

Australia estimates that a 10% increase in the exchange rate typically results in a 1% reduction in consumer prices spread over 3 years.<sup>138</sup>

### 14.3.2 When and how should adjustments be made?

We think base prices and student fees should be adjusted annually, on 1 January each year. In line with the approach we use in other industries, the rate of the adjustment should be calculated using a standard year-on-year approach. That is, the increase for 1 January 2015 should be calculated as the 4 quarters CPI (All groups Sydney) to September 2014 divided by the 4 quarters CPI to September 2013.

### 14.3.3 Which students should the adjusted prices and fees apply to?

The base price applicable to a student should depend on when the student begins a qualification. This price should not change, even though the student may continue in that qualification over a period of several years.

We recommend that student fees should also remain at the same level as when the student enrolled in the qualification as the student fee is for the qualification - not an annual fee. Therefore, the adjusted base prices and fees for each year will apply to new enrolments in that year.

## 14.4 Major reviews

Even with annual adjustments, our recommended prices may diverge from efficient costs over time. This may be because the cost inputs (like wages) change at different rates to the CPI. Or it may be because the type and relative size of the cost inputs change - for example, due to innovation in training delivery modes, or changes in the training hours required for students to achieve competency.

In other industries we regulate, we typically conduct a major review to reset prices to reflect efficient costs every 3 to 5 years. We think this approach and timeframe is appropriate for reviewing and resetting base prices and student fees for VET. We also think a review to consider relaxing student fee regulation is appropriate after 3 to 5 years. However, these reviews should be undertaken separately, to ensure the tasks for each review are clearly delineated.

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<sup>138</sup> Chung, E., M. Kohler and C. Lewis 2011, "The exchange rate and consumer prices", Reserve Bank of Australia Bulletin, September.



#### 14.4.1 Review to reset prices

In our view, the review of base prices and student fees should be undertaken first, in 2017. This would mean that new prices and fees would apply from 1 January 2018, 3.5 years after the introduction of Smart and Skilled. This allows sufficient time for RTOs to adapt to the new system, and for a picture of their market behaviour under the existing base prices to develop. It also provides sufficient time for students to respond to the new system.

One key issue for this review will be what source of information on the costs of providing VET services should be used. One option would be collecting data on costs from all RTOs on ongoing basis, or through a once-off survey of costs at the time of the review. An alternative would be to continue to rely on cost data from TAFE, as the major supplier of VET services in NSW.

In our experience, ongoing collection of cost data from many providers is often not useful, particularly where the main purpose is to understand how costs vary across the components of a business. Rather surveys of all or a sample of RTOs may be the most cost effective way to gather evidence on costs. If TAFE continues to maintain a large market share they may be the best source of data.

#### 14.4.2 Review to consider the relaxation of student fee regulation

In our Issues Paper, we flagged several options for relaxing the regulation of the student fee component progressively over time. After considering this further, we think the following short to longer term actions should be taken:

- ▼ **From the start of Smart and Skilled**, student fees should be specified as maximum fees (as recommended in Chapter 8). This would mean that RTOs could seek to compete by setting student fees below the maximum level. However, to assist students in making a choice between providers, RTOs would be required to publish the timing of payments for student fees (as recommended in Chapter 13).
- ▼ **During the first years of Smart and Skilled**, the Government should take steps to improve the contestability of the NSW VET market, such as providing information to training providers and consumers (Table 14.1).
- ▼ **After the first major review to reset prices** (discussed above), there should be a review to determine if and how fee regulation should be further relaxed or removed.



**Table 14.1 Government action to improve contestability of the VET market**

For training providers	For consumers
Information on the number of students enrolled in each qualification by region	Information on the performance of providers
Information on the number of students receiving loadings and concessions in each region	

Source: IPART.

### What would this review involve?

This review would need to assess the effectiveness of competition in the NSW VET market, and whether it is sufficient to protect students from higher than appropriate fees. (Appendix G outlines what this assessment might involve.) Based on this assessment, it would make recommendations on whether, where and how student fee regulation should be relaxed.

We note that currently, the student fees charged by the VET sector in Victoria are monitored but not regulated, while those in South Australia are capped at \$7000 per qualification for Certificate III and above.

### What would happen if student fee regulation were removed?

If the Government decided to remove student fee regulation in some or all parts of the NSW VET market, the new arrangements could apply from 1 January 2019.

The Government subsidy component of prices in these markets would continue to be adjusted in-line with the CPI. This would allow changes in student fees to be monitored for several years before another major review and reset of the Government subsidy amounts. Where monitoring showed that student fees increased from 2019, then this might indicate that the Government subsidy for that course needs to be higher, and vice versa.

However, the way that the Government subsidy component is expressed in these markets would change. Appendix G outlines these changes.

### Draft recommendations

- 26 To ensure base prices and student fees continue to reflect efficient costs and an appropriate sharing of costs between students and the Government, the following arrangements should be put in place:
  - Base prices and student fees should be adjusted by the average change in CPI (All groups Sydney) in the previous year, on 1 January of each year.

- The adjusted base prices and student fees for each year should apply to students who are new enrolments in that year. Existing enrolments should continue to be supplied for the prices and fees that applied when they first enrolled.
- The first major review to reset base prices and student fees should be conducted prior to the price change on 1 January 2018. After that, a review to reset prices should be conducted every 3 years.

27 Regulation of the student fee component should be relaxed progressively, in line with the following arrangements:

- From the start of Smart and Skilled, student fees should be specified as maximum fees (as per Draft recommendation 17).
- During the first years of Smart and Skilled, DEC should provide information to students and employers (as per Draft recommendation 22) and to training providers to improve the contestability of the NSW VET market. Information for training providers should include the number of students enrolled in each qualification by region, the number of students receiving loadings and concessions by region.
- After the first major review to reset prices, a review should be conducted to determine if and how fee regulation should be further relaxed or removed, and any new arrangements resulting from this review should apply from 1 January 2019.



## Appendices



## A Terms of reference

### **Terms of reference for the Review of price and fee arrangements for government-funded vocational education and training under Smart and Skilled**

The Independent Pricing and Regulatory Tribunal of NSW (IPART) is requested, under section 9(1)(b) of the Independent Pricing and Regulatory Tribunal Act 1992, to provide advice on price and fee arrangements for government-funded vocational education and training under the Smart and Skilled reforms.

The arrangements that IPART recommends should be market-tested, efficient, effective, socially optimal and take account of relevant externalities. The approach should encourage quality training delivery at most efficient price.

### **Matters for Consideration**

IPART is to provide advice and design a methodology to determine price and fee arrangements for government-funded vocational education and training. In doing this IPART will have regard to the prices revealed through the tender process for vocational education and training provided through the contestable market and TAFE NSW core funded pricing arrangements for government-funded training and whether those prices represent the efficient cost of service provision and the presence of robust markets or the presence of thin markets.

This advice and a methodology to be recommended by IPART will cover:

- ▼ The base price for qualifications and part-qualifications<sup>139</sup> to recover efficient costs which are to be determined transparently and applied consistently across all Registered Training Organisations (RTOs) approved to deliver public subsidy training;
- ▼ Each base price should include a number of bands (to reflect differences in the cost of delivering different courses at the same qualification level, including high cost specialised industry areas)

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<sup>139</sup> That is, qualifications (and where appropriate part qualifications) delivered under an entitlement, direct purchasing through TAFE NSW or the private provider market, from Foundation Skills to Advanced Diploma.

- ▼ The breakdown of each base price into:
  - The student fee for each qualification/course (including the differentiation between the first post-school qualification and subsequent qualifications), and
  - The level of Government subsidy.
- ▼ Arrangements to ensure that students reflect the value of courses to students (eg those students who undertake higher-level qualifications contribute more than students undertaking lower-level qualifications).
- ▼ The loadings which should be added to the base price for higher cost learners, such as students in regional and remote areas and learners with specific requirements (eg Aboriginal students, students with a disability and long-term unemployed students).
- ▼ The identification and testing of the concepts of thin and robust markets and other related matters that may impact on methodology and determination of price and fee arrangements.

In providing its advice IPART will need to take account of:

- ▼ Policy principles agreed by the NSW Government on price and fee arrangements for Smart and Skilled as outlined at Attachment A
- ▼ Inter-related work on a VET Budget and Funding Model and the development of the NSW Government's Statement of Owner Expectations for TAFE NSW. Through this inter-related work, IPART will need to take account of the:
  - Treatment of community service obligations (CSOs) paid by the NSW Government and provided by TAFE NSW and approved Adult Community Education (ACE) providers. CSOs will be directed to markets deemed as social obligations with low levels of demand and high operating costs. These markets may be defined geographically (eg, rural and remote), by occupation (eg, small employment numbers) or demographically (eg, Aboriginal).
  - Treatment of operational base funding for TAFE NSW to support the operations of TAFE as a public institution.
- ▼ Available analysis of the efficient costs of providing vocational education and training.

### **Consultation and Timing**

In conducting its review IPART is to consult with relevant stakeholders in metropolitan and regional locations.

IPART is to prepare a report detailing the advice and methodology to determine price and fee arrangements for government-funded vocational education and training. This report will also include advice on the testing of robust and thin markets and other matters that may impact on the methodology and determination of price and fee arrangements.

IPART is to present a draft report to the Minister for Education by 30 June 2013 and its final report to the Minister by 31 August 2013.

## Background

With Smart and Skilled, the vocational education and training sector will undergo significant reform. The supply-driven system of offering a fixed number of government-funded places will transition to a demand driven system through a student entitlement.

From 2014, the entitlement will cover qualifications up to and including Certificate III, including selected foundation courses. People who have a qualification at Certificate IV and above will not be eligible for the entitlement unless it is an apprenticeship or new-entrant traineeship. Under the entitlement, Government funding will follow students to their choice of approved provider.

In the transition period, the entitlement will be complemented with subsidised training through purchasing arrangements with TAFE NSW and State Training Services for skill sets, pre-vocational training and qualifications for Certificate IV to Advanced Diploma.

Students doing subsequent post-school qualifications through the entitlement or purchased training will pay a higher fee.

A skills list will define what qualifications and courses are subsidised by government. This list will be based on labour market analysis and industry consultation.

Transition to a broader entitlement will be considered after a year of implementation and review. The broader entitlement may be extended to cover qualifications up to and including Advanced Diploma. The broader entitlement will retain higher student fees for subsequent post-school qualifications.

Within the Department of Education and Communities, TAFE NSW will receive a budget from the NSW Government. This will comprise operational base funding and community service obligation funding; and TAFE NSW's share of the entitlement funding, which will be subject to contestability and reconciliation. In the transition period TAFE NSW's budget will include TAFE NSW's share of direct purchasing for skill sets and Certificate IV and above.

The NSW Government's Statement of Owner Expectations for TAFE NSW will define TAFE's role as a public provider and articulate expectations relevant to defining operational base funding and community service obligations.

In preparing advice and designing a methodology for determining price and fee arrangements, critical issues in the IPART review will be:

- ▼ Potential impact on student enrolments and NSWs capacity to meet national and State Plan targets for participation and attainment
- ▼ The cost of fee-for-service delivery for students not eligible for a government subsidy
- ▼ Pricing and fee structures that support student qualification completion
- ▼ The dimensions and characteristics of the VET market
- ▼ The total costs (recurrent and capital) of training provision
- ▼ Entry requirements and barriers into the market
- ▼ The varied types of consumers
- ▼ The varied types of products and delivery methods
- ▼ The types of externalities and market failures
- ▼ The potential impact of the methodology on quality of training
- ▼ Size of market segments – thin or robust markets
- ▼ The potential for cost-shifting
- ▼ Location issues
- ▼ The NSW Government’s competitive neutrality requirements
- ▼ Pricing arrangements in other jurisdiction and/or similar fields.

Following advice from IPART, it will be the responsibility of the Board of Vocational Education and Training to make recommendations to the Minister to approve the appropriate levels of subsidy and student fees.



## Attachment A

Under Smart and Skilled, a number of policy principles for price and fee arrangements were agreed by the NSW Government for government subsidised training. These include:

- ▼ Price and fee arrangements will apply transparently and consistently across all approved training organisations delivering public subsidy training
- ▼ Students will pay a set fee per qualification rather than an annual fee (or fee based on time served)
- ▼ Exemptions and concession arrangements will be retained for Aboriginal students, students with a disability and welfare beneficiaries
- ▼ Students doing higher-level qualifications will contribute more than students doing lower-level qualifications
- ▼ Students doing a subsequent post-school qualification will make a higher contribution than those doing a first post-school qualifications
- ▼ Students up to the age of 17 that have left school would continue to contribute at the first post-school qualification rate
- ▼ Approved training organisations will be paid a loading on top of the base price for training for disadvantaged students (eg, Aboriginal, disability and long-term unemployed) and regional
- ▼ Income contingent loans will be available for approved public subsidy Diploma and Advanced Diploma qualifications
- ▼ Community service obligation payments would go to TAFE NSW and approved ACE providers.

## B VET Quality Framework

As Chapters 4 and 12 discussed, our recommended approach is to set base prices to reflect the efficient cost of providing the training involved in each course and qualification to standard students to the **required quality standard**.

Under Smart and Skilled, the required standard for both Registered Training Organisations and the courses and qualifications they provide will be regulated through a range of regulators and instruments. Currently, these include:

- ▼ the Australian Skills Quality Authority – the national VET Regulator (NVR) – through the VET Quality Framework and the Standards for VET Accredited Courses
- ▼ the National Skills Standards Council, through the Standards for Training Packages.

The SSQF and the NVR framework are both being refined<sup>140</sup>. The changes and refinements to these frameworks aim to address concerns about the quality of VET and raise the consistency and standard of VET delivery. In addition, the NSW Department of Education and Communities is developing complementary assessment criteria and requirements for RTOs that deliver training under Smart and Skilled. These will be regulated through the Smart and Skilled Quality Framework – due to be released later in 2013.

The sections below outline the key features of current national VET regulation, the reforms to this regulation, and the Smart and Skilled Quality Framework.

### B.1 Current national VET regulation

To deliver nationally recognised courses and accredited Australian Qualifications Framework (AQF) qualifications, training providers need to be NVR Registered Training Organisations.<sup>141</sup> The Australian Skills Quality Authority (ASQA) currently regulates these RTOs and VET courses to ensure nationally approved quality standards are met. As noted above, it does this through the VET Quality Framework and the Standards for VET Accredited Courses. The National Skills

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<sup>140</sup> See Appendix B for more information on the SSQF, the NVR framework and reforms to the NVR.

<sup>141</sup> See <http://www.asqa.gov.au/for-training-organisations/become-a-registered-training-organisation/become-a-registered-training-organisation.html>

Standards Council (NSSC) also regulates the quality of VET courses and qualifications through the Standards for Training Packages.

### B.1.1 The VET Quality Framework

The VET Quality Framework and its legislative instruments established under the *National VET Regulator Act, 2011* (NVETR Act). These comprise:

- ▼ Standards for NVR registered RTOs
- ▼ Fit and Proper Person Requirements
- ▼ Financial Viability and Risk Assessment Requirements, and
- ▼ Data Provision Requirements.

#### Standards for NVR registered RTOs

All NVR RTOs are required to comply with these Standards,<sup>142</sup> as a condition of registration. Among other things, they require the RTO to have:

- ▼ Strategies in place to provide quality training and assessment, including:
  - a continuous improvement strategy involving collection and analysis of data
  - strategies for training and assessment that meet the requirements of the relevant Training Package or VET accredited course
  - Staff, facilities, equipment, training and assessment material that meet the requirements of the relevant Training Package or VET accredited course.
- ▼ A defined strategy and measures to ensure training and assessment services are conducted by trainers and assessors who have the necessary training and assessment competencies as determined by the NSSC.
- ▼ A defined strategy and procedures to ensure assessment will meet the requirements of the relevant Training Package or VET accredited course; will be conducted in accordance with the principles of assessment and the rules of evidence and will meet workplace and, where relevant, regulatory requirements, and is systematically validated.
- ▼ Strategies to ensure adherence to the principles of access and equity, including having a defined complaint and appeal process.
- ▼ Management systems responsive to the needs of clients, staff and stakeholders.

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<sup>142</sup> Commonwealth of Australia, Federal Register of Legislative Instruments, F2013L00167, Standards for NVR RTOs, 2012. The Standards distinguish between essential standards for initial registration and essential standards for continuing registration. In general, the standards for initial and continuing registration are similar although at initial registration applicants may be required to have a defined strategy eg, for continuous improvement whereas applicants for continuing registration may have to have systems in place eg, for continuous improvement.

- ▼ Adequate governance arrangements including demonstrating to the NVR that it has undertaken business planning and the continuing viability of its operations and ensuring that the organisation complies with the VET Quality Framework and any national guidelines approved by the NSSC.

In addition, an RTO is required to cooperate with the National VET Regulator – for example, in the conduct of audits and monitoring of its operations and by providing accurate and timely data about its strategies to provide quality training and assessment across all of its operations. RTOs are also required to have public liability insurance, and to be able to demonstrate to NVR on request that they will be financially viable at all times during their period of registration.

### Data Provision Requirements

RTOs are required to collect and provide data to ASQA, including data to allow it to monitor their compliance with the quality framework. For example, as a condition of registration, RTOs must collect data on the following quality indicators, and report to ASQA regularly on their performance against these indicators:

- ▼ **learner engagement** – collected through a survey of learners using the Learner Questionnaire (or the RTOs own survey that includes the questions in the Learner Questionnaire) – includes learner perceptions of the quality of their competency development and the support they receive from their RTO.
- ▼ **employer satisfaction** – through a survey using the Employer Questionnaire (or the RTOs own survey that includes the questions in the Employer Questionnaire) – includes employer evaluation of learner competency development, relevance of competencies to work and employer evaluation of the overall quality of the training and assessment. It is not compulsory to administer the Employer Questionnaire. It may not always be possible or relevant.
- ▼ **competency completion** – numbers of enrolments and qualifications completed and UoCs awarded in the previous calendar year.

#### B.1.2 Standards for VET Accredited Courses

The Standards for VET accredited courses apply to courses accredited and regulated by ASQA. An ‘accredited’ course is one that is nationally recognised, and for which an RTO can issue a nationally recognised VET qualification or statement of attainment following its full or partial completion. Once accredited, the course is listed on the National Register.

The Standards for VET accredited courses include that the course:

- ▼ must not duplicate the outcomes of an endorsed Training Package (discussed below)
- ▼ is based on nationally endorsed units of competency, where available, (ie, which have been developed in consultation with and validated by industry, enterprise, community or professional groups) and are documented in accordance with nationally agreed specifications (Training Package Development Handbook)
- ▼ leads either to a VET qualification consistent with the Australian Qualifications Framework or a statement of attainment, where relevant
- ▼ specifies rules for course structure, any entry requirements, and course assessment strategies which:
  - are valid, reliable, flexible and fair
  - support the collection of evidence that is sufficient, valid, authentic and current
  - are consistent with assessment requirements in relevant training packages, where applicable
- ▼ provides guidance on delivery modes and advice on limitations on course delivery modes and any requirements for on the job training
- ▼ specifies specialist facilities and resources and the vocational competency requirement of trainers and assessors
- ▼ identifies course monitoring and evaluation processes which will ensure that course content and outcomes are reviewed and remain current throughout period of accreditation.

### B.1.3 Standards for Training Packages

The NSSC Standards for Training Packages set out the requirements for Training Packages.<sup>143</sup> These include requirements for the units of competency:

- ▼ to specify the standards of performance required in the workplace
- ▼ to specify assessment requirements, including the evidence and required conditions for assessment.

They also include requirements to specify qualifications which comply with the AQF specifications, and to include a quality-assured implementation guide.

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<sup>143</sup> NSSC, Standards for Training Packages, 2012. Available from:  
[http://www.nssc.natese.gov.au/\\_\\_data/assets/pdf\\_file/0014/71510/NSSC\\_-\\_Standards\\_for\\_Training\\_Packages\\_v1.0.pdf](http://www.nssc.natese.gov.au/__data/assets/pdf_file/0014/71510/NSSC_-_Standards_for_Training_Packages_v1.0.pdf)

### B.3 Reforms to national VET regulation

The NSSC has expressed concern about the adequacy of the existing national quality framework. In response, the COAG Standing Council on Tertiary Education, Skills and Employment (SCOTSE) has endorsed a new framework – **the NSSC Standards Policy Framework** – as the basis for new draft Standards to be developed. SCOTSE will consider the draft standards and the implementation plan in late 2013. The NSSC envisage a 2-year transition process to the new standards.<sup>144</sup>

In addition, the Industry Skills Councils (ISCs) – with the support of the NSSC and the Department of Industry, Innovation, Science, Research and Tertiary Education (DIISRTE) – has undertaken a **VET Quality Project**.<sup>145</sup> This project recommends changes to the VET quality framework, which are to be implemented largely through changes to the Standards for Training Packages.

#### Key features of the NSSC Standards Policy Framework

The NSSC Standards Policy Framework proposes a new system, the Australian Vocational Qualification System (AVQS) for national regulation of VET. Key features of AVQS will be:

- ▼ **Training organisations that issue vocational qualifications will be called Licensed Training Organisations, and be awarded a licence for up to 5 years.** New entrants will receive an initial licence for up to 2 years, after which they can apply for a full licence. Conditions may be placed on a new LTO's licence – eg, limiting the number of qualifications or Training Packages in the LTOs scope.
- ▼ **All LTOs will be required to comply with AVQS Quality Framework Standards.** These standards will include increased emphasis on Training Packages and accredited courses. For example, LTOs will need to have training and assessment strategies and practices that meet requirements for each nationally recognised qualification in their licence scope (as defined in the Training Package or accredited course). They will also need to have the capacity (staff and physical resources) to deliver quality training/assessment for each nationally recognised qualification in their licence scope. In addition, they will need to:
  - have an LTO assessment system, which contains controlled, ordered, quality-assured processes designed to ensure assessments are consistent, fair, valid and reliable

<sup>144</sup> NSSC, *Standards Policy Framework – Improving Vocational Education and Training: the Australian Vocational Qualification System*, 2013, p 1.

<sup>145</sup> The Allen Consulting Group, *VET Quality Project – Report to Industry Skills councils, the National Skills Standards Council and the Department of Industry innovation, Science, Research and Tertiary Education*, March 2013.

- employ an Accountable Education Officer who is registered with the AVQS regulator and responsible for all training and assessment undertaken by the LTO
- be accountable for and systematically monitor all training and assessment services, whether they undertake these themselves or through a partnering arrangement.
- ▼ **All clients – including learners, enterprises and funding agencies – will have access to the information required to make informed decisions.** This will include publicly available and easily accessed, clear and accurate information on an LTO's performance, comparable to other LTOs. This is expected to include participation in nationally consistent student outcomes survey.
- ▼ **Proposed standards for VET regulators to encourage regulators to move to a risk-based compliance approach.** In particular, regulators will be encouraged more actively and regularly to apply strategies to reduce the regulatory burden on high performing LTOs, and increase regulatory activities for higher risk LTOs – for example, by varying the type and regularity of audits and recognising regulatory decisions of other relevant regulators.<sup>146</sup>

#### Key recommendations of the VET quality project

The VET Quality Project report recommends delivery (input) measures and assessment (output measures) to strengthen the approach to VET quality. Measures should be flexibly applied and incorporated into existing instruments and used in a selective and targeted manner. Most measures should be implemented through the Standards for Training Packages, as these standards can be applied at a unit or qualification level. Recommended delivery measures include:

- ▼ Specific trainer requirements – allowing ISCs to include additional requirements to National VET standards for RTOs to be applied to the delivery of training in high risk/high consequence areas.
- ▼ Range of training conditions – allowing ISCs to provide critical and specific information in relation to the range and conditions of training.
- ▼ Mode of learning – allowing ISCs to manage mode of delivery to include or exclude options.
- ▼ Volume of learning – the range of hours for learners to achieve the learning outcomes, taking into account learner characteristics. Programs could be developed outside the estimated range but RTO would need to justify this. This measure addresses the impact of shortened programs on VET quality.<sup>147</sup>

<sup>146</sup> NNSC, *Standards Policy Framework – Improving Vocational Education and Training: the Australian Vocational Qualification System*, 2013, pp 17-23.

<sup>147</sup> The Allen Consulting Group, *VET Quality Project – Report to Industry Skills councils, the National Skills Standards Council and the Department of Industry innovation, Science, Research and Tertiary Education*, March 2013.

Recommended assessment measures include:

- ▼ Specific assessor requirements – additional requirements to National VET standards for RTOs to be applied to assessment in high risk or high consequence areas. Options are to include required years of vocational experience, qualifications, licences; a team based or panel approach. Ensuring appropriate vocational skills and knowledge is critical to the perceived validity of assessment.
- ▼ Validation model – A quality review process to ensure an assessment tool performs as it should - involving checking that the assessment tool produces valid, reliable, sufficient, current and authentic evidence to enable reasonable judgement of whether requirements are met.

## B.4 Smart and Skilled Quality Framework

Under the Smart and Skilled Quality Framework (SSQF), RTOs will have to meet 'stringent quality and performance criteria'<sup>148</sup>. The framework is currently in draft, with a final framework due for release later in 2013. The requirements of SSQF are intended to complement those in the NVQF.

The SSQF is expected to include:

- ▼ A Memorandum of Understanding with ASQA to facilitate information sharing in particular in relation to audit and monitoring scheduling.
- ▼ Sharing of information with other jurisdictions about the performance of RTOs that deliver government-subsidised training.
- ▼ A 2-stage tender eligibility and assessment process for RTOs seeking deliver training under Smart and Skilled that will consider:
  - **Whether the organisation is eligible to lodge a tender.** This will include considering the RTO's record of regulatory and contractual compliance, its financial viability, its commitment to report VET activity to required standards, consent to exchange information with other jurisdictions, demonstrated participation in teaching and leadership activities and commitment to ongoing professional development.
  - **Whether the organisation has the capacity, capability and ability to deliver each qualification it tenders for under Smart and Skilled.** This will include considering the RTO's track record in delivering each qualification/course it has tendered for, its organisational capacity and capability, its history of performance under NSW government contracts and in programs in other jurisdictions, and its capacity to deliver to priority groups and delivery locations.

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<sup>148</sup> Department of Education and Communities, *Smart and Skilled: Draft Quality Framework*, 2013, p 4.



- ▼ A contract with defined performance standards and reporting requirements and enforceable sanctions for non-performance ‘with the clear intention to lift the quality of training’.
- ▼ Performance monitoring based on risk and performance indicators with the intention of confirming delivery of training, contractual compliance and maintenance of standards and establishing benchmarks for continuous improvement and areas of professional development.
- ▼ Participating in pilots of independent validation of assessment – with a view to raising the quality, rigour, fairness and consistency of assessments.
- ▼ An information portal to help people identify subsidised training opportunities, skills in demand and job prospects, student entitlement and prices and related fee calculations.
- ▼ A complaints and dispute mechanism.<sup>149</sup>

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<sup>149</sup> Department of Education and Communities, *Smart and Skilled: Draft Quality Framework*, 2013, pp 6-10.

## C Government funded VET in NSW

The NSW VET market is made up of 3 key segments:

- ▼ the domestic government-funded market, where some of the cost of training is borne by government (in the form of payments to training providers) and the rest is borne the student (as fees)
- ▼ the domestic fee-for-service market, where all of the cost is borne by the student, and
- ▼ the overseas full-fee paying market, where all of the cost is borne by the student.<sup>150</sup>

Our review focuses on the price and fee arrangements for the domestic government-funded market only.<sup>151</sup>

The sections below describe the current government-funded VET market.<sup>152</sup>

### Current government-funded VET market in NSW

The government-funded VET market in NSW provides training to around 450,000 students a year.<sup>153</sup> It offers courses and qualifications for a large number of careers and industries to a diverse range of students.<sup>154</sup> The organisations that deliver the training include both public and private providers. Government funding comes from both the State and Commonwealth Governments, and most of this funding is allocated directly to the large public provider, TAFE NSW.

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<sup>150</sup> In some case, student fees are paid by employers on behalf of the student.

<sup>151</sup> Excluding VET in schools, which will continue under existing funding arrangements.

<sup>152</sup> Where possible we use statistics which reflect the focus of our review – the domestic government-funded VET market (excluding VET in schools where the delivery has been undertaken by schools).

<sup>153</sup> Measured 2002 to 2011. NCVER (2013), National VET Provider Collections, Students and Courses, 2002-2011, Accessed through VOCSTATS: 21 March 2013.

<sup>154</sup> VET does not cover the degree and higher level professional programs which are delivered by universities and other higher education institutions.

## Courses and qualifications

The government-funded VET market offers more than 2,200 accredited training courses and qualifications.<sup>155</sup> Most of these are accredited qualifications that form part of an industry-developed, nationally accredited training package. They range from pre-vocational foundation courses, through to lower level Certificates I to IV, and higher level Diplomas and Advanced Diplomas (see Box C.1).

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### Box C.1 VET qualification levels

The qualifications provided through VET include:

- ▼ Foundation training – these can be accredited courses or qualifications that underpin other vocational qualifications. They encompass literacy, numeracy and general employability skills, such as teamwork and problem-solving.<sup>a</sup>
- ▼ Certificate I to IV – qualifications in a wide variety of trades, occupations, industries and enterprises. Certificates I and II provide basic knowledge and skills for initial work, while Certificates III and IV provide higher level theoretical and practical skills for specialised or skilled work.<sup>b</sup>
- ▼ Diploma and Advanced Diploma – qualifications providing specialised skills and knowledge for skilled and highly skilled paraprofessional work.<sup>c</sup>

<sup>a</sup> Standing Committee on Tertiary Education Skills and Employment, 2012, *National Foundation Skills Strategy for Adults*, p 2.

<sup>b</sup> See Australian Qualifications Framework Council, *Australian Qualifications Framework*, 2nd edition, 2013.

<sup>c</sup> See Australian Qualifications Framework Council, *Australian Qualifications Framework*, 2nd edition, 2013.

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VET is a ‘competency based’ system of education where competency in a skill or knowledge area determines satisfactory achievement. Courses and qualifications are made up of specified Units of Competency (UoC). These groups of UoC capture the skills and knowledge a person requires to work effectively in a particular industry area.<sup>156</sup> In addition to full qualifications, students can complete individual units of competency, part-qualifications, or ‘skill sets’ (see Box C.2).

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<sup>155</sup> IPART analysis of information provided by Department of Education and Communities (DEC).

<sup>156</sup> UoC have been defined and developed by industry, are nationally recognised and form the basis of training for specific industries.  
[http://www.vta.vic.edu.au/?Name=VET\\_Introduction\\_to\\_the\\_Australian\\_Training\\_System#unitcomp](http://www.vta.vic.edu.au/?Name=VET_Introduction_to_the_Australian_Training_System#unitcomp).

Accredited courses are based on the completion of a set curriculum and are made up of defined modules. They are developed to meet training needs that are not addressed by existing training packages. A course will not be accredited if it duplicates existing endorsed training package qualifications, or if the outcome can be achieved through the contextualisation of a training package qualification.

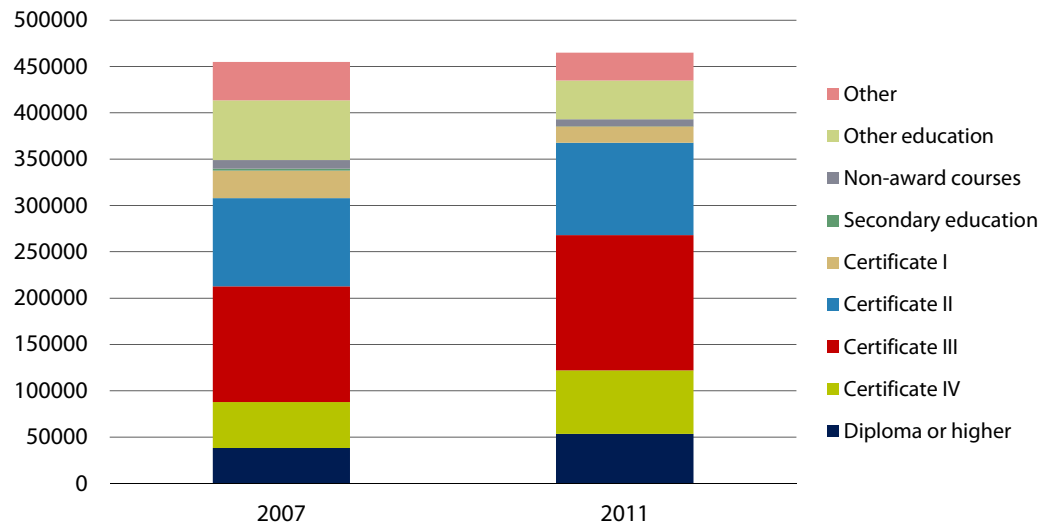
In 2011, over half (57%) of students in government-funded VET in NSW were in Certificate I-III qualifications, 26% were in Certificate IV and above, and a 17% were in non-accredited qualifications (see Figure C.1).

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### **Box C.2 VET courses and qualifications**

- ▼ A training package is a nationally endorsed manual developed by industry that (among other things) establishes the VET competencies, assessment guidelines and qualifications for that industry or industry sector.
  - ▼ A qualification is a nationally endorsed group of units of competency that meets the training needs of an industry sector. It is awarded when a student has satisfied the requirements of all those units of competency.
  - ▼ A unit of competency covers the skills and/or knowledge required for one specific function or role in a particular job or occupation.
  - ▼ A part-qualification is a combination of units of competency from training packages that leads to the achievement of a Statement of Attainment.
  - ▼ A skill set is an endorsed logical grouping of units of competency which meet an identified need or industry outcome that leads to the Achievement of a Statement of Attainment.
  - ▼ An accredited course addresses industry, enterprise, educational, legislative or community needs that are not covered in nationally endorsed training packages.
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**Figure C.1 Government-funded VET Students by qualification level, NSW, 2007-2011**



**Data source:** NCVET (2013), National VET Provider Collection, Students and Courses, 2002 – 2011, Accessed through VOCSTATS: 21 March 2013.

Although technical training and apprenticeships were once the core of vocational education, this is no longer the case. Apprentices and trainees doing formal training<sup>157</sup> currently account for only 20% of students in government-funded VET training.<sup>158</sup>

VET covers diverse subject areas including health, management, commerce, food, hospitality, agriculture, engineering and building. In 2011, the most popular areas of study were:

- ▼ **Management and commerce** (23% of government-funded VET enrolments). These include business, management, sales, marketing, tourism, office studies, banking and finance.
- ▼ **Engineering** (14% of government-funded VET enrolments), including mechanical, automotive and process engineering.

<sup>157</sup> Apprenticeships and traineeships combine on the job training and work experience with formal training. There is a contract or training agreement between the apprentice and employer. Traditionally apprenticeships were in the trades, for example plumber, hairdresser and carpenter. Traineeships are available across a wide range of careers and industries, for example, allied health assistant, business administration, IT and retail. Apprenticeships are generally at Certificate III to IV level and take 3 or 4 years to complete while traineeships generally take 1 to 2 years to complete.

<sup>158</sup> NCVET (2013), National VET Provider Collection, Students and Courses, 2002 – 2011, Accessed through VOCSTATS: 21 March 2013.

- ▼ **Society and culture** (12% of government-funded VET enrolments). These include law, librarianship, language, literature, philosophy, religious studies, economics, sport and recreation.<sup>159</sup>

VET is delivered in a variety of ways, including face-to-face in a class room, in the workplace, through remote learning (ie, using eLearning resources and web-based communication) or through a mix of classroom and online delivery. For distance education, the Open Training and Education Network (OTEN) is an example of a provider that offers specialist education and training in which a student may enrol at any time of the year and study at their own pace.

### Student characteristics

Government-funded VET students in NSW come from a diverse range of backgrounds and stages of life and education. For example in 2011:

- ▼ 32% were aged 15 to 19, 32% aged 25 to 44 years and 19% were aged 45 and over
- ▼ 84% of students studied part-time
- ▼ in terms of previous education, 44% had not completed Year 12, 31% had completed Year 12 or a Certificate III qualification, and 8% had completed a Bachelor degree or higher.<sup>160</sup>

VET students also include a wide range of equity groups, including indigenous students, students with a disability and students from non-English speaking backgrounds. In NSW, the proportions of government-funded VET students from these equity groups are higher than in the rest of Australia's VET system and the higher education sector generally (Table C.1).

In addition, significant proportions of VET students in NSW have relatively low levels of social and economic advantage. In 2011:

- ▼ 18% of government-funded students came from rural/remote areas<sup>161</sup> (compared to 19% of VET students in the rest of Australia)
- ▼ 49% came from areas identified as being in the lowest 2 quintiles for relative socio-economic disadvantage
- ▼ 47% came from areas in the lowest 2 quintiles for education and occupational status, and

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<sup>159</sup> Ibid.

<sup>160</sup> Ibid.

<sup>161</sup> Remote includes locations classified under ARIA+ as outer regional, remote and very remote. See <http://www.abs.gov.au/websitedbs/d3310114.nsf/home/remoteness+structure> for further information about the ARIA+ classification.

- ▼ 50% came from areas in the lowest 2 quintiles for access to economic resources.<sup>162</sup>

**Table C.1 Proportion of students from equity groups, Australia, 2011**

Status	Government funded VET system NSW (%)	Government funded VET system, rest of Australia %	Higher education <sup>a</sup> (%)
Indigenous	6.2%	5.0%	1.3%
Disability	8.1%	6.8%	4.5%
Non-English speaking background	16.1% <sup>b</sup>	13.5% <sup>b</sup>	3.5%

<sup>a</sup> Domestic students only.

<sup>b</sup> Includes international fee-for-service students delivered by TAFE and other government providers. These students account for 1% of all NSW students in the NCVER collection of data on publicly funded students.

**Source:** NCVER (2013), National VET Provider Collection, Students and Courses, 2002 – 2011, Accessed through VOCSTATS: 21 March 2013 and Department of Industry, Innovation, Science, Research and Tertiary Education, Student 2011 Full Year: Selected Higher Education Statistics, Appendix 2 - Equity Groups.

### Providers of VET

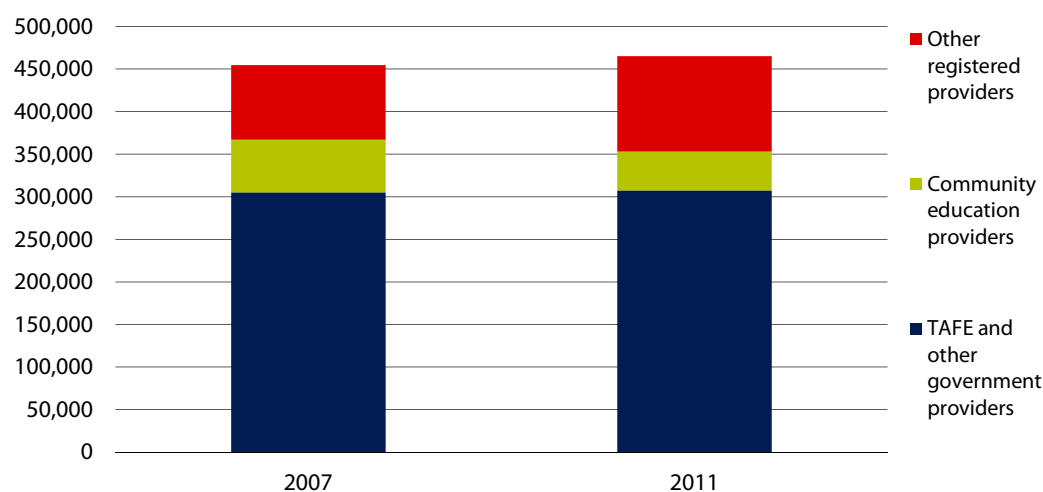
There are over 2,600 registered training providers operating in NSW. These include 10 large TAFE Institutes (dispersed over 130 campuses across NSW), as well as large private providers, private technical/trade providers, niche market providers, Adult Community Education (ACE) providers and enterprise-based training providers.

These providers can operate across all 3 VET markets – government-funded, domestic fee-for-service and international full-fee-paying. To deliver nationally recognised training, providers must be registered to issue qualifications in accordance with the Australian Quality Training Framework (AQTF).<sup>163</sup> These providers are known as Registered Training Organisations (RTOs).

Most students in government-funded VET are studying with TAFE NSW and other government providers (66%). However, the proportion studying with other registered providers has grown recently, from 19% in 2007 to 24% in 2011 (Figure C.2).

<sup>162</sup> NCVER (2013), National VET Provider Collection, Students and Courses, 2002 – 2011, Accessed through VOCSTATS: 21 March 2013. These Quintiles refer to the Socio-economic indexes for areas (SEIFA), developed by the Australian Bureau of Statistics. For further information see <http://www.abs.gov.au/AUSSTATS/abs@.nsf/Latestproducts/2039.0Main%20Features12006?opendocument&tabname=Summary&prodno=2039.0&issue=2006&num=&view=>

<sup>163</sup> Quality in the VET market is regulated by the Australian Skill Quality Authority (ASQA). More information on the VET quality framework is contained in Appendix B.

**Figure C.2 Publicly funded students by provider type, 2007-2011**

**Data source:** NCVER (2013), National VET Provider Collection, Students and Courses, 2002 – 2011, Accessed through VOCSTATS: 21 March 2013.

### Funding and government purchasing of VET

The current approach for funding and government purchasing of VET in NSW is largely a supply-side model. This is, most of the government funding available for VET is allocated to the VET providers (the supply side of the market), and the students (the demand side) follow the funding.

As Figure C.3 illustrates, NSW Treasury allocates VET funding (from both the Commonwealth and State Governments) to the NSW Department of Education and Communities (DEC). DEC then allocates 83% of these funds to the large public RTO, TAFE NSW, to purchase specific output targets (eg, annual student contact hours, student enrolments, qualifications and completions).

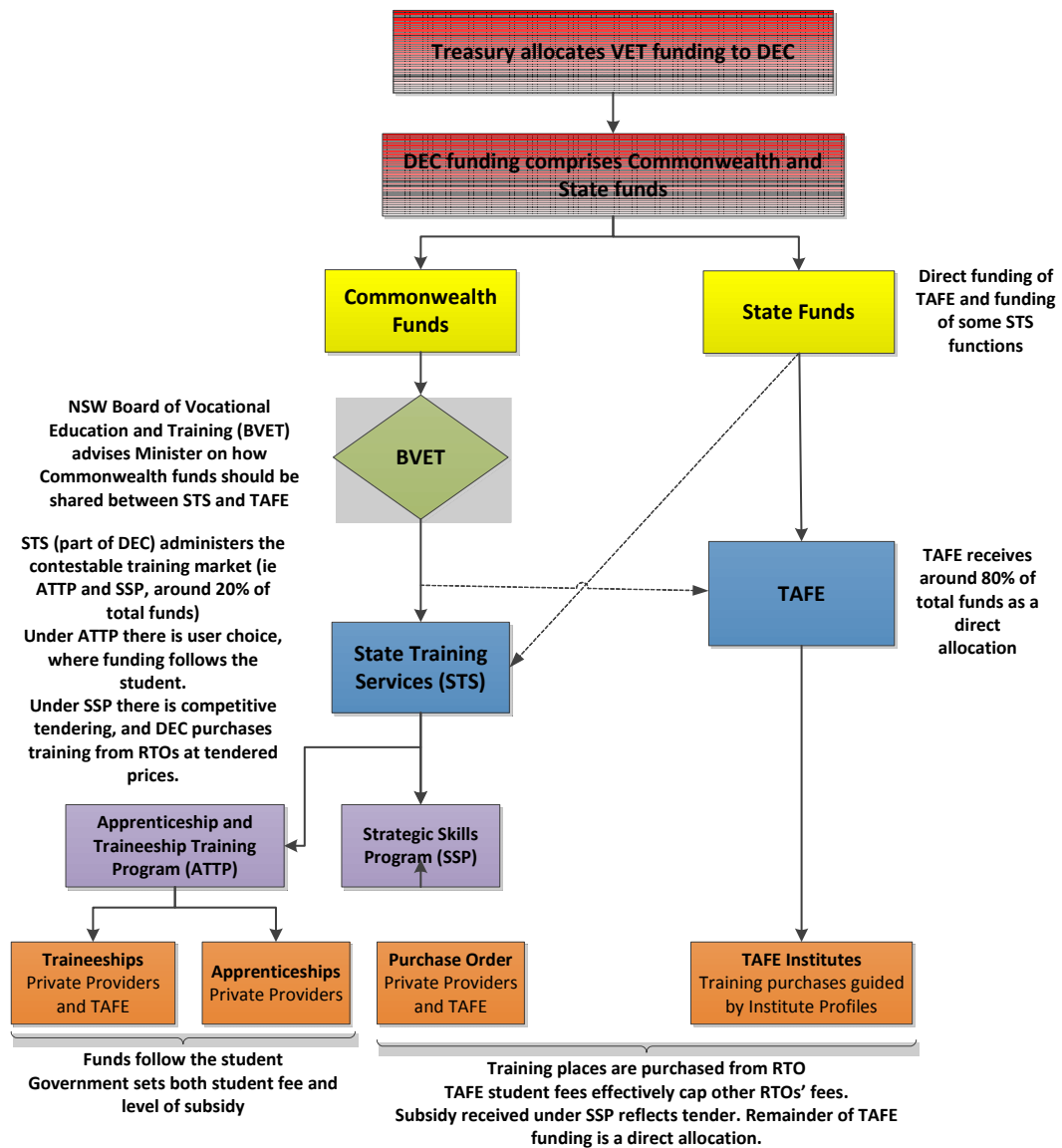
The remaining 17% of government funding is used to purchase training on the contestable market through:

- ▼ the Apprenticeship and Trainee Training Program (ATTP), and
- ▼ the Strategic Skills Program (SSP).

Unlike the other parts of the government-funded VET market, the ATTP uses a demand-driven model for purchasing VET. This model provides user choice, as funding for the formal training component of an apprenticeship follows the apprentice or trainee to his or her preferred RTO.

The SSP uses a supply-side model. DEC (which administers the program) purchases training from selected private RTOs and TAFE to provide agreed training needed by the NSW economy. The students then follow the funding.



**Figure C.3 Current VET Funding and Purchasing Arrangements**

### Student fees

Currently, student fees are set for TAFE NSW. These fees vary with level of qualification, and are charged per year or semester (as opposed to per qualification). Higher level qualifications are charged higher level fees, reflecting the length and complexity of the training. TAFE fees for 2013 are set out in Table C.2.

Under current arrangements in the government-funded VET market the fees charged by private providers competing with TAFE in the contestable part of the market are set at the same level as TAFE's fees.

Concession fees and fee exemptions are also available to VET students who receive (or are dependents of a person who receives) a range of eligible Commonwealth benefits or allowances, or are Aboriginal and Torres Strait Islanders, or have a disability.<sup>164</sup>

**Table C.2 TAFE student fees by qualification, 2013**

Qualification	Annual Fee (\$)
Advanced Diploma	1,720
Diploma	1,432
Cert IV	1,078
Cert III	793
Cert II	506
Cert I	506
Apprenticeships/Trainees	478
Concession (all qualification levels)	100

**Note:** In case of severe financial hardship, Institute Directors are able to waive the fee.

**Source:** TAFE NSW, *TAFE NSW Fees*, Available from <https://www.tafensw.edu.au/courses/fees/tafensw.htm>  
Accessed 21 March 2013.

<sup>164</sup> Eligible benefits include: Age Pension, Austudy (including Veterans' Children Education Scheme), Carer Payment, Disability Support Pension (second or subsequent course enrolment per year, first enrolment is exempt), Exceptional Circumstances Relief Payment, Family Tax Benefit Part A (maximum rate), Farm Help Income Support, Mature Age Allowance, Newstart Allowance, Parenting Payment (Single), Sickness Allowance, Special Benefit, Veterans' Affairs Payments, Widow Allowance, Widow Pension (including Widow 'B' Pension), Wife Pension, Youth Allowance.

## D State Targets for VET

The NSW Government's 10-year plan<sup>165</sup> sets long-term goals and targets for NSW. Goals relevant to this review are listed here.

- ▼ The goal to 'strengthen the NSW skills base' includes the following targets:

More people gain higher level tertiary qualifications:

- 50% increase in the proportion of people between the ages of 20 and 64 with qualifications at AQF Certificate III and above by 2020
- 100% increase in the number of completions in higher level qualifications at Diploma level and above by 2020
- 20% increase in the number of completions in higher level VET qualifications at AQF Certificate III and above by women by 2020
- 20% increase in the number of completions in higher level VET qualifications at AQF Certificate III and above by students in rural and regional NSW by 2020
- 20% increase in the number of completions in higher level VET qualifications at AQF Certificate III and above by Aboriginal and Torres Strait Islander students by 2020
- 44% of 25–34 year olds hold a bachelor level qualification or above by 2025
- 20% of undergraduate enrolments are students from low socio-economic status backgrounds by 2020.

More young people participate in post school education and training:

- 90% of young people who have left school are participating in further education and training or employment by 2020
- 10% increase in the number of apprenticeship and traineeship completions by 2016, including in rural and regional NSW.

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<sup>165</sup> NSW Government, 2011, *NSW 2021 A Plan to make NSW Number One*.  
[http://www.2021.nsw.gov.au/sites/default/files/NSW2021\\_WEBVERSION.pdf](http://www.2021.nsw.gov.au/sites/default/files/NSW2021_WEBVERSION.pdf)

- ▼ The goal to 'improve education and learning outcomes for all students', includes:

More students finish high school or equivalent:

- 90% of 20–24 year olds have attained a Year 12 or AQF qualification at Certificate II or above by 2015
- 90% of 20–24 year olds have attained a Year 12 or AQF qualification at Certificate III or above by 2020.

## E Other fee setting options we considered

We considered an economic approach to establishing an appropriate level of fee and subsidy. Ideally, a subsidy would only be provided where it encourages an individual to undertake training, and that individual would not have done so in the absence of the subsidy (ie, the subsidy turns a perceived net cost into a perceived net benefit). We examined 3 potential options for setting fees:

1. Using the price elasticity of demand to set fees at the level that achieves the Government's objectives for participation in VET.
2. Setting fees to reflect either the value of the private benefits generated by the qualification or the value of public benefits generated by the qualification.
3. Sharing base prices between the student fee and government subsidy on the basis of the relativity between private and public financial net benefits.

Our preferred approach (discussed in Chapter 7) is option 3. This appendix discusses our considerations regarding options 1 and 2.

### E.1 Setting fees to achieve the Government's participation objectives

Under this approach, the price elasticity of demand for VET would be used to set fees at the level that achieves the Government's objectives for participation. The price elasticity of demand is a measure used in economics to show the responsiveness of the quantity demanded of a good or service to a change in its price. More precisely, it gives the percentage change in quantity demanded in response to a percentage change in price (holding all the other determinants of demand, such as income, constant).

The price elasticity of demand for a good is said to be low (or relatively low) when changes in price have a relatively small effect on the quantity of the good demanded. The price elasticity of demand for a good is said to be high (or relatively high) when changes in price have a relatively large effect on the quantity of a good demanded.

We have 2 studies that include measuring the price elasticity of demand for VET in Australia, one by Access Economics (undertaken in 2004) and one undertaken by NATSEM as part of its current VET demand modelling work for DEC. Both studies conclude that demand for VET is relatively insensitive to fee changes when fees are at low levels (compared to costs). These findings are consistent with findings on the price elasticity of demand for tertiary study, ie, that the demand for education is inelastic.<sup>166</sup> This suggests that, under this approach to setting fees and subsidies, fees would need to be reduced.

### E.1.1 Elasticity of demand for VET

In 2004, Access Economics estimated that, for government-funded VET nationally, a 10% increase in VET fees would be associated with a 0.8% reduction in student hours and a 0.6% decrease in VET students (ie, an elasticity of -0.08 for hours and -0.06 for enrolments). In NSW (where fees were relatively low), a doubling of fees suggested a fall in VET hours of 6%.<sup>167</sup> Student fees increased that year in NSW by 95%<sup>168</sup> and the number of government-funded VET students fell by 12%.<sup>169</sup> However, we do not know what other factors may have contributed to this fall in demand (eg, change in eligibility and/or concession arrangements, reduction in course offerings, etc). In addition, more recent estimates of elasticity are also low.

<sup>166</sup> Tocal disagreed with our assertion in the Issues Paper that demand elasticity for VET is low (Tocal, Submission to Issues Paper, April 2013, p 3). It is Tocal's experience that demand is highly sensitive to price in rural and remote areas (ie in agriculture and related area) and that there is a decrease in participation with increases in fees. Tocal also contends that "Market failure in all its various forms is evident in agricultural training in rural and remote areas across Australia". We note that stakeholders from industry areas with characteristics such as high costs of training, low financial returns, small scale and niche or unique skills are particularly concerned about the impact of the level of fees and fee increases on both participation in VET (both in full qualifications and part qualifications) and quality of training (see Somerset, Submission to Issues Paper, May 2013, p 2; Southbound, Submission to Issues Paper, May 2013, p 3; NGINA, Submission to Issues Paper, May 2013, p 2; BMAC, Submission to Issues Paper, May 2013, pp 2-3 and ORIC, Submission to Issues Paper, May 2013, p 6). TAFE WI considers that any decline in VET demand as a result of fee increases would recover in time as there is no alternative for people to access training. TAFE WI also considers that fee increases are likely to increase expectations from training (TAFE WI, Submission to Issues Paper, April 2013, p 4).

<sup>167</sup> Access Economics (now Deloitte Access Economics) 2004, *Future Demand for Vocational Education and Training*, Department of Education, Science and Training, Canberra, pp 33, 40-41.

<sup>168</sup> Ibid. p 33.

<sup>169</sup> Available from: [http://www.dec.nsw.gov.au/detresources/chapter10\\_EgeUmHsUhl.xls](http://www.dec.nsw.gov.au/detresources/chapter10_EgeUmHsUhl.xls) (accessed 16 July 2013).

NATSEM has modelled student demand for VET in NSW against a number of entitlement scenarios.<sup>170</sup> As part of the study, NATSEM estimated 2 sets of demand elasticities:

- ▼ The Longitudinal Survey of Australian Youth (LSAY), a study which tracks young people as they move from school into further study, is used to estimate the price sensitivity of individuals aged 20 or less.
- ▼ Household Income and Labour Dynamics in Australia (HILDA), a panel survey of private dwelling households, is used to estimate the price sensitivity of individuals aged 21 to 64.

NATSEM found a significant but small negative price effect associated with propensity to study VET, converting to a small (weighted) average elasticity of -0.057 (or between -0.169 and -0.008 depending on the characteristics of the student).

As well as recognising the decline in enrolments in 2004, in its submission to the Issues Paper, TAFE NSWCB argued that “in the initial years after fee increases, there was an increase in enrolments in less expensive and shorter courses” and that the “increase in concession fees in 2013 (from \$53 to \$100) has led to a decline in concessional enrolments while enrolments in Special Access courses (which do not attract the TAFE NSW fee) increased”.<sup>171</sup>

While the composition of enrolments may have changed, we note that there are potentially other factors influencing these changes, eg, in 2013 changes in enrolments could also reflect budget reductions and consequent reduced or amended offerings from TAFE institutes. In addition, TAFE NSWCB contended that enrolments are also sensitive to changes in the employment market. According to TAFE NSWCB between 2008 and 2009 (during the Global Financial Crisis) unemployment increased from 4.6% to 6.4% and enrolments increased by 5.7%.<sup>172</sup>

### E.1.2 Implications of this approach

If the Government were to rely solely on student fees as a way of achieving its participation objectives, then our estimates of demand elasticity suggest that fees would need to be reduced. To the extent that the Government wants to increase participation in some areas more than others, then fees in those priority areas would need to fall even further.<sup>173</sup> We do not consider that this approach satisfies either of our principles of beneficiary pays or simplicity.

<sup>170</sup> Information from DEC. Demand is modelled on an individual student basis given known and imputed characteristics from the Student Outcome Survey and other data sources.

<sup>171</sup> See TAFE NSWCB, Submission to Issues Paper, May 2013, pp 14-15.

<sup>172</sup> Ibid.

<sup>173</sup> Setting these fees would require demand elasticities for particular qualifications and industry areas and this information may not be available at present.

There is no guarantee that adjusting fees alone will achieve the Government's participation objectives (and it is unlikely to meet the Government's budget priorities). Even taking the furthest extreme and making all VET fee exempt would not guarantee that participation targets will be met, as the level of fees is only one of many factors impacting individuals' education and training decision making. These factors are discussed below.

### E.1.3 Education and training decision making

At a broad level, 'financial reasons' are a relatively minor factor in education and training decision making. ABS data<sup>174</sup> reveals that, for formal learning, the most prominent reason (80% of responses) that individuals do not undertake education and training is that they simply do not want to. This suggests that most individuals do not see significant returns from education and training, whether financial or intrinsic. The next most frequently cited reasons for not undertaking education and training were 'personal or family reasons'<sup>175</sup> and 'work related reasons'<sup>176</sup> followed by financial reasons.

However, there is evidence that financial reasons are more important for young potential students from lower socio economic backgrounds (SEBs), who are more likely to choose VET when considering undertaking higher education. In addition, we note that in Victoria, the May 2012 budget announcement of future subsidy decreases for some courses saw a significant increase in enrolments in these courses, which suggests that potential students do respond to the price signals from fees.

<sup>174</sup> ABS (Australian Bureau of Statistics) 2010, Education and training experience Australia: 2009, catalogue 6278.0, p 45.

<sup>175</sup> Includes 'Own ill-health or disability', 'Caring for family members' and 'Other personal or family reasons'.

<sup>176</sup> Includes 'Too much work', 'Lack of employer support', 'Little difference to work prospects' and 'Not required for job or employer'.



### Higher education participation

In its submission to the Issues Paper, TAFE NSWCB referred to a study undertaken in 2002 by the (now) Department of Education, Employment and Workplace Relations on “socioeconomic background and higher education participation”.<sup>177</sup> While the study covers both university and VET, it found that:

- ▼ Overall, young people from lower SEBs appear to consider education in the context of a shorter time horizon and may focus on the short-term opportunity costs of attending university in comparison with young people from higher SEBs.
- ▼ Students from lower SEBs are more likely to experience inhibiting factors and are less likely to experience various influences that might encourage higher education participation. They are less secure about their personal achievement levels and capacities, and possibly lack financial resources. They have a stronger belief that a TAFE course would be more useful than a university course.
- ▼ A significant proportion of students in the study indicated the anticipated cost of higher education is a genuine concern for them. Students from lower SEBs were the most likely to report concerns about costs. They were more likely to believe the cost of university fees may stop them attending university and that their families probably could not afford the costs of supporting them while they were at university. Well over one-third of lower SEB students indicated they would have to support themselves financially if they went to university.
- ▼ Compared with the females in the sample, the males exhibit less commitment towards school and are less likely to see higher education as being relevant and attainable.<sup>178</sup>

<sup>177</sup> See TAFE NSWCB, Submission to Issues Paper, May 2013, p 13. NSW Farmers also referred to the same study and the finding that, for rural students, the costs associated with study and the need to travel long distances were identified as reasons for not pursuing higher education (NSWF, Submission to Issues Paper, May 2013, p 3).

<sup>178</sup> See Department of Education Science and Training, *Socioeconomic Background and Higher Education Participation: An analysis of school students' aspirations and expectations*, 2002, p 50.

## Responses to price signals in Victoria

As part of the May 2012 state budget in Victoria, it was announced that a number of VET courses were to be reallocated to lower funding (ie, subsidy) bands.<sup>179</sup> There was subsequently a peak in enrolments in these courses prior to the implementation of the new funding bands. The courses accounted for almost two-thirds of the 27% enrolment growth<sup>180</sup> in all industry-specific qualifications which were not in specialised or in shortage occupations.<sup>181</sup>

## Addressing financial considerations in making education choices

While estimates of the price elasticity of demand for VET are low, financial considerations (such as the mix of student fees and income support while studying) may influence the education choices of some potential students. Options for addressing these issues include additional government subsidy of VET costs, the provision of student assistance through increased income support and income-contingent loan schemes (where student fees are repaid once the student's income reaches a particular threshold).<sup>182</sup>

Student fees are currently heavily subsidised and, in addition, there are a number of means-tested payments available to support eligible students who are undertaking, or who are planning to undertake, approved full-time study or an apprenticeship.<sup>183</sup> VET FEE-HELP is an income-contingent loan, currently available to students undertaking most Diplomas and Advanced Diplomas at full fee-for-service.<sup>184</sup> Ensuring access to income contingent loans was highlighted as an important issue by a number of stakeholders.<sup>185</sup> While some stakeholders argued that VET FEE-HELP should be available to students undertaking

<sup>179</sup> See *Victorian Training Market Quarterly Report Q3 2012* p 36, <http://www.education.vic.gov.au/Documents/training/providers/market/vtmrq32012web.pdf> (accessed 11 June 2013). These courses included Certificate IV and Diplomas of Business, Business Administration and Management, Certificate III in Hospitality, Retail, Warehousing Operations, Certificates II and III in Business and Business Administration, Certificates II-IV in Customer Contact

<sup>180</sup> In the 12 months to September 2012.

<sup>181</sup> Enrolments against occupations that are either specialised or in shortage increased over the same period by 19%.

<sup>182</sup> We note that in addition the Government subsidises concession fees for Aboriginal and Torres Strait Islander students, students with a disability and welfare recipients (see Chapter 10).

<sup>183</sup> These payments include the Youth Allowance (for students and apprentices generally aged 16 to 24 years old), Austudy (for students who are aged 25 years and older) and ABSTUDY (a living allowance payment plus a range of supplementary benefits for Aboriginal and Torres Strait Islander students aged 16 years or older.) See <http://studyassist.gov.au/sites/StudyAssist/StudentIncomeSupport> (accessed 18 July 2013).

<sup>184</sup> See <http://studyassist.gov.au/sites/studyassist/helppayingmyfees/vet-fee-help/pages/vet-fee-help> (accessed 18 July 2013).

<sup>185</sup> See eg, TAC, Submission to Issues Paper, May 2013, p 4; ACPET, Submission to Smart and Skilled consultation, November 2011, pp 9-10, 12.

qualifications at lower levels,<sup>186</sup> we recognise that the Government's policy position is to expand income-contingent loans to students undertaking Government subsidised VET at Diploma and Advanced Diploma levels.<sup>187</sup> This has been agreed with the Australian Government, who will share the costs of the scheme.<sup>188</sup>

## E.2 Setting fees with reference to either the private or public net benefits generated by the qualification

When an individual student undertakes VET he or she may receive private financial benefits in the form of higher after-tax earnings and increased probability of employment.<sup>189</sup> The student may also receive private non-financial benefits, such as increased self-esteem, life satisfaction and happiness.

Public financial benefits from VET arise when the government experiences revenue increases (from the increased tax payments of individuals with higher earnings) and/or expenditure decreases (eg, from a reduction in welfare payments when an individual gains employment).

As identified by the Productivity Commission,<sup>190</sup> there are also likely to be public non-financial benefits (or positive externalities) associated with VET. These are benefits to individuals, organisations or members of the broader community that were not involved in the provision and receipt of VET. Such benefits to these third parties are less obvious and tangible than other benefits, but examples cited by the Commission include:

- ▼ Spillover benefits – that is, benefits to third parties from investments in VET that increase rates of innovation, the diffusion of new ideas and the development of basic knowledge capabilities.

<sup>186</sup> See eg, SSNSW, Submission to Issues Paper, May 2013, p 4 and TAFE WI, Submission to Issues Paper, April 2013, p 5. However, some stakeholders consider that income contingent loans will in fact deter potential students from participating in VET (see eg, TAFE SWSI, Submission to Issues Paper, May 2013, p 8 and NSWTF, Submission to Issues Paper, May 2013, p 10).

<sup>187</sup> See [http://www.training.nsw.gov.au/forms\\_documents/vet/skills\\_reform/fact\\_sheets/smart\\_skilled\\_individuals.pdf](http://www.training.nsw.gov.au/forms_documents/vet/skills_reform/fact_sheets/smart_skilled_individuals.pdf) p 2 (accessed 18 July 2013).

<sup>188</sup> See [http://www.federalfinancialrelations.gov.au/content/npa/skills/skills-reform/national\\_partnership.pdf](http://www.federalfinancialrelations.gov.au/content/npa/skills/skills-reform/national_partnership.pdf) Schedule 4 (accessed 18 July 2013). We note that government incurs additional costs in providing an income contingent loan scheme (where repayments are set as a percentage of earnings or income) compared to a fixed schedule of payment.

<sup>189</sup> We note employers also benefit financially from the increased productivity of the individual.

<sup>190</sup> Productivity Commission 2012, *Impacts of COAG Reforms: Business Regulation and VET*, Research Report, Volume 3 – VET, Canberra, p 39.

- ▼ ‘Civic’ benefits – for example, benefits relating to social cohesion and unity, support to the functioning of a democracy, lower levels of criminal activity and community health benefits from increased knowledge of beneficial/harmful activities.<sup>191,192</sup>

Under these 2 approaches, student fees would be set to reflect either the value of the *private* net benefits generated by the qualification or the *public* net benefits generated. For example, the student fee might equal the base price less an estimate of either the private or public net benefits generated by the particular qualification.<sup>193</sup>

### E.2.1 Setting fees to reflect the value of the private net benefits generated by the qualification

This approach is consistent with current Australian Government policy on university fees. In setting maximum university fees the Government has adopted the view that the potential private benefits from some courses are sufficiently high to justify differential student contribution rates and that a single contribution rate would introduce new inequities.<sup>194</sup>

Such an approach would result in higher student fees for VET in areas that generate significant private financial net benefits and lower fees in areas that lead to relatively smaller private financial net benefits.<sup>195</sup> As such it may have the effect of encouraging students into the areas that generate relatively smaller financial benefits. It also does not fully satisfy our principles of beneficiary pays and simplicity.

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<sup>191</sup> Ibid. We note the Commission found these benefits are generally more associated with primary and secondary school than VET or higher education.

<sup>192</sup> While some stakeholders recognised the potential for VET to generate positive externalities, (see eg, TAFE WSI, p 2 and 6; BT p 8 and TAFE WI pp 3, 4) they provided no specific guidance on how such benefits could be taken into account within the methodology for determining price and fee arrangements.

<sup>193</sup> Where ‘net benefits’ equal benefits minus costs.

<sup>194</sup> See Government Response to the Higher Education Base Funding Review Final Report, response to Recommendation 23, <http://www.innovation.gov.au/HigherEducation/Policy/BaseFundingReview/Documents/Response-BaseFundingReviewRecommendations.pdf> (Accessed 18 July 2013).

<sup>195</sup> Assuming that any increase in earnings is completely attributed to education and making no adjustment for private non-financial benefits.

### Setting fees to reflect the value of the public benefits generated by the qualification

This was the approach taken by the Base Funding Review of Higher Education.<sup>196</sup> The Review argued that government subsidy of student fees should reflect the principle that the government pays for public benefits. These public benefits were defined as ‘additional non-pecuniary benefits to society’ (ie, positive externalities), plus the ‘direct fiscal dividend’ from the additional taxes graduates pay due to their increased earnings.<sup>197</sup> The Review recommended that the balance between student and government contributions to higher education should be set at a fixed proportion, regardless of the area being studied, with students contributing 40% and the Government contributing 60% of the funding for each Commonwealth supported place (CSP), based on the potential public benefits generated.<sup>198</sup>

This approach may have the effect of encouraging students into areas that generate the greatest returns for society. However, the result could be low (or no) fees in areas that generate significant private net benefits and higher fees in areas that lead to lower private net benefits.<sup>199</sup> We do not consider that this is an equitable outcome. It also does not fully satisfy our principles of beneficiary pays and simplicity.

### Implications of these two approaches

These options are broadly consistent with IPART’s approach to establishing the passenger share of the revenue requirements for some public transport services. However, we note that financial net benefits are difficult to identify and estimate on an industry or individual qualification basis and using the absolute level of these estimates (where they are available) is highly dependent on (and sensitive to) the income tax system and the modelling approach used. In addition, we have not quantified the non-financial benefits (either public or private) generated by participation in VET.

<sup>196</sup> In October 2010, the Higher Education Base Funding Review was asked to make recommendations on the principles for government subsidy of Australian higher education and the levels of subsidy that are appropriate to ensure that Australian higher education remains internationally competitive. See <http://www.innovation.gov.au/HigherEducation/Policy/BaseFundingReview/Pages/default.aspx> (accessed 21 March 2013).

<sup>197</sup> See Lomax-Smith, J., Watson, L. and Webster, B. (2011) *Higher education base funding review, final report*, Department of Education, Employment and Workplace Relations, p 103.

<sup>198</sup> *Ibid.*, p xxii.

<sup>199</sup> Assuming that any increase in earnings is completely attributed to education.

### Positive externalities of VET

To the extent that VET generates positive externalities (public non-financial benefits), and their value is greater than the additional costs of achieving them, then society would be better off if individuals undertake training. This situation justifies a government subsidy, to encourage individuals (and/or firms) to invest more in VET.

However, estimating the size of the appropriate subsidy requires an estimate of the size of the positive externalities. The available evidence on education externalities is mixed (see Box E.1 below) and it is difficult to draw any conclusions on the potential size of *VET* externalities. Studies have generally concentrated on a single externality (eg, crime reduction) and no one study has comprehensively tried to capture all external benefits.

In its assessment of the economic impacts and benefits of COAG's VET reform agenda, the Productivity Commission did not include a valuation for the positive externalities associated with the provision of additional VET. The Commission concluded that "Several researchers have shown that such benefits exist, but their estimates are relatively small. Further research in this area would provide a better basis on which to estimate the possible contribution of external benefits."<sup>200</sup> We agree with this position.

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<sup>200</sup> Productivity Commission 2012, Op. Cit., p 177.

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**Box E.1 Previous work on education externalities**

Acemoglu and Angrist<sup>a</sup> estimated benefits from compulsory schooling. Where significant, each year of additional schooling was associated with external returns of between 1 to 3% (ie, a 1-year increase in the average level of schooling was associated with a 1 to 3% increase in the average wage for the community as a whole). This compares to private benefits (to those undertaking the additional year) of 7%.

After conducting a comprehensive review of the available literature, Davies<sup>b</sup> concluded that human capital externalities from education may be as large as private benefits. However large standard errors on the estimate of externalities led to the conclusion that 'the empirical basis for the belief in large human capital externalities remains relatively weak'.

Rauch<sup>c</sup> estimated that an additional year of school education increased total factor productivity by 2 to 3 per cent.

Lochner and Moretti<sup>d</sup> estimated that the value of reduced crime associated with additional education resulting in high school graduation was between 14 and 26% of the private return.

<sup>a</sup> Acemoglu, D. and Angrist, J. 2000, 'How large are human-capital externalities? Evidence from compulsory schooling laws', *NBER Macroeconomics Annual*, vol. 15, pp 9-74.

<sup>b</sup> Davies, J. 2002, Empirical Evidence on Human Capital Externalities, Working Paper, [http://economics.uwo.ca/epri/workingpapers\\_docs/wp2003/Davies05.pdf](http://economics.uwo.ca/epri/workingpapers_docs/wp2003/Davies05.pdf) (accessed 25 July 2013).

<sup>c</sup> Rauch, J.E. 1993, 'Productivity gains from geographic concentration of human capital: evidence from the cities', *Journal of Urban Economics*, vol. 34, no. 3, pp 380-400.

<sup>d</sup> Lochner, L. and Moretti, E. 2004, 'The effect of education on crime: evidence from prison inmates, arrests, and self-reports', *American Economic Review*, vol. 94, no. 1, pp 155-189.

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## F Estimating returns to VET

We used a human capital approach to understand the private and public returns to VET and inform our draft recommendation on an approach to sharing base prices between student fees and government subsidies. In general, undertaking VET leads to improved employment outcomes (in terms of both participation and increased income) compared to an individual who has not completed high school. Estimating the private returns to VET involves comparing the costs faced by students (eg, forgone earnings, fees) to the benefits received (eg, increase in after tax earnings). The private returns are the benefits minus the costs from the student's perspective. Measuring the public returns to VET involves comparing the costs faced by government (eg, forgone taxes while the student is studying, the level of subsidy) to the benefits received (eg, increased tax payments of individuals with higher earnings). The public returns are the benefits minus the costs from the government's perspective.

### F.1 Human capital theory

Human capital theory is used within the economic analysis of labour markets, education and economic growth. As set out by the Productivity Commission,<sup>201</sup> Becker developed a theory to explain how people make education decisions. He argued that people invest in human capital through education to increase their options to secure better work and various non-financial benefits. The theory posits that education increases productivity and this higher productivity leads to higher wages and additional tax revenue.<sup>202</sup> People compare the benefits and costs of their different education options (as they perceive them) and choose the option that will yield the highest net benefit.<sup>203</sup> By subsidising the costs of VET qualifications in particular skills need areas, government influences the relative private costs of an individual's education options and therefore their choices. (See Box F.1 for more information.)

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<sup>201</sup> Productivity Commission 2012, *Impacts of COAG Reforms: Business Regulation and VET*, Research Report, Volume 3 – VET, Canberra, p 123.

<sup>202</sup> See Chapman, B. and Lounkaew, K. (2012) *The Value of Externalities for Australian Higher Education*, p 6,  
<http://www.innovation.gov.au/HigherEducation/Policy/BaseFundingReview/Documents/PublicbenefitsofHETreport.pdf>

<sup>203</sup> Productivity Commission, Op. Cit., p 131.



### Box F.1 Human capital theory

Human capital theory posits that education is a worthwhile investment that generates benefits in the future. The private (or student's) rate of return to education is the cost borne by the student (eg, forgone earnings, fees) compared to the benefits received (eg, increase in after tax earnings). The private return should also reflect non-financial benefits.

The social rate of return to education takes account of both private and public costs and benefits, including the cost of publicly provided education (ie, the taxpayer subsidy) and the increased tax payments of more educated individuals. The social return should take account of public non-financial benefits (positive externalities), but these are hard to measure.

From either a private or societal perspective, under human capital theory we assess the costs and benefits of education over time. For a student it is worthwhile to invest in education when the Net Present Value (NPV) of this calculation (ie, the sum of all the costs and benefits over time, expressed in today's dollars) from their perspective is greater than zero. For the government it is worthwhile to subsidise education when the NPV of this calculation at the societal level is greater than zero.

## F.2 Private and public returns to VET

We used a study of the economic returns to education in Australia<sup>204</sup> and census data to estimate the private and public returns to VET. Leigh's work uses data from the 2001-2005 waves of the Household, Income and Labour Dynamics in Australia (HILDA) survey and, taking account of existing estimates of ability bias and social returns to schooling, estimates the economic return to various levels of education.<sup>205</sup> His study is consistent with previous analysis of the benefits of education (see section F.3 below).

<sup>204</sup> Leigh, A., *Returns to Education in Australia*, 2007, <http://people.anu.edu.au/andrew.leigh/pdf/ReturnsEducationAustralia.pdf> (accessed 26 June 2013).

<sup>205</sup> Leigh found that the highest annual benefits appear to come from raising high school attainment, with per-year gains as high as 30% (depending on the adjustment for ability bias). Some forms of VET also appear to increase earnings, with significant gains from Certificate III and IV level qualifications (compared to individuals who had not completed Year 12), and from Diploma and Advanced Diploma qualifications. At the university level, Bachelor degrees and postgraduate qualifications are associated with significantly higher earnings, with each year of a Bachelor degree raising annual earnings by about 15%. For high school, slightly less than half the gains are due to increased productivity, with the rest due to higher levels of employment participation. For VET, about one-third of the gains are from productivity, and two-thirds from greater participation. For university, most of the gains are from productivity.

We estimated the income level of individuals who completed Year 11 and undertook no further education using census data. We then used the results of Leigh's study to estimate the earnings differential between this group and individuals who have undertaken VET. Using the earnings differential (or incremental income) we estimated private and public returns to VET, assuming a young learner undertakes VET and then works until the age of 64. In the first instance we did not include any adjustment for the costs of VET (ie, fees or subsidies). The second set of results includes the average cost of VET (ie, the average base price at the relevant qualification level), shared between student fee and government subsidy in line with the ratio of returns in the first calculation.

**Table F.1 Estimates of net present value (NPV) of private and public returns to VET**

	Excluding fees and subsidies	With fees and subsidies
	NPV	NPV
Cert III or IV		
Private return	\$44,853	\$40,927
Public return	\$18,642	\$17,010
Ratio private/public	2.4:1	2.4:1
Dip or Adv Dip		
Private return	\$47,152	\$41,603
Public return	\$19,684	\$17,367
Ratio private/public	2.4:1	2.4:1

Source: IPART calculations.

For those qualifications that generate returns at the median income level and above, the relativity between the private and public returns is around 70/30 (or a ratio of 2.4 to 1). This relativity largely reflects the tax system, ie, it is driven by the size of the earnings differential<sup>206</sup> and the corresponding amount of additional after-tax income received by the VET completer and additional tax receipts received by government.<sup>207</sup>

This result is consistent with OECD work estimating the output of educational institutions and the impact of learning. The ratio of returns we have derived is similar to OECD estimates of private and public returns to individuals who have obtained upper secondary or post-secondary (non-tertiary) qualifications in Australia.<sup>208</sup>

<sup>206</sup> Between the VET completer and the non-VET completer.

<sup>207</sup> For those qualifications generating lower returns, this relativity is more heavily weighted towards private returns, again reflecting the size of the earnings differential and the corresponding amount of additional after-tax income received by the VET completer and additional tax receipts received by government.

<sup>208</sup> See OECD, *Education at a Glance 2013: OECD Indicators*, OECD Publishing, 2013, pp 140-143. doi: [10.1787/eag-2013-en](https://doi.org/10.1787/eag-2013-en). The ratio of private to public returns for men is 2.3:1 and for women is 1.9:1. The comparator group is individuals with below upper secondary education.

### F.3 Previous analysis of the benefits of education

In April 2012, the Productivity Commission released its findings on the economic impacts and benefits of COAG's VET reform agenda.<sup>209</sup> As part of its assessment, the Commission estimated the net financial benefits from an individual undertaking VET.<sup>210</sup> The findings of this assessment are summarised in Box F.2 below.<sup>211</sup>

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#### Box F.2 Productivity Commission findings on financial benefits of VET

The Productivity Commission found that for a young learner (aged 15 to 24) who completes a Certificate III or IV, the private cost is composed of \$1,758 in fees and \$15,660 in foregone earnings.<sup>a</sup> Ignoring the effect of ability on wages, the estimated benefit is an increase in the hourly wage from \$21 an hour<sup>b</sup> to \$25.47 an hour. This translates into an increase in lifetime earnings of \$324,632 (or \$140,664 when discounted to 2012 dollars using a real discount rate of 6%) or about \$7,700 per year, over 42 years. Government's contribution is about \$5,333 and the change in net government taxation revenue is about \$123,000 over 42 years (or \$53,452 in 2012 dollars using a 6% real discount rate).

In this stylised example, the individual is around \$123,000 better off in 2012 dollars if they undertake VET, while government's net benefit is around \$48,000 (again in 2012 dollars). This is equivalent to a ratio of private to public financial benefits of around 2.5 to 1. Under the fees and subsidies that applied at the time of this analysis, the ratio of student fee to taxpayer subsidy was around 1 to 3.

**a** Estimated as \$18 an hour, the wage imputed to a young person with a Year 11 qualification.

**b** The wage imputed to a person aged 25 and over with a Year 11 qualification.

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<sup>209</sup> Productivity Commission, Op. Cit.

<sup>210</sup> Ibid., p 10.

<sup>211</sup> Ibid., p 18. While the Commission found the reforms to have positive economic impacts and result in net social benefits, it cautioned that point estimates should be interpreted with caution as sensitivity analysis suggested that small changes in assumptions can change the results markedly.

Analysis undertaken for the NCVER in 2010<sup>212</sup> investigated the employment and earnings outcomes for individuals who had undertaken VET. The study found that:

- ▼ Compared to people who have completed Year 12, there are no additional benefits<sup>213</sup> from obtaining Certificate I-IV qualifications. However, there are positive employment and earnings outcomes associated with obtaining advanced diploma and diploma qualifications. For example, in 2005, men with advanced diplomas and diplomas were 4.7 percentage points more likely to be employed than men with a Year 12 qualification. They were also earning on average 6.9% more per week.
- ▼ Compared to people who did not complete Year 12, there are benefits from obtaining any kind of VET qualification, including the lower level Certificate I-II qualifications. In all the years examined, people with VET qualifications had relatively higher average weekly earnings and a higher likelihood of being in permanent employment. The industry areas that provide the largest effects on earnings and employment outcomes appear to be business, engineering, architecture, building and automotive.
- ▼ For mature-age students considering whether or not to undertake VET, it appears that the decision would be marginal unless the individual has fewer than 12 years of schooling, and is intending to enrol in VET at the Certificate III level or higher. In addition, it might take a year or 2 before any positive effects of the investment in education are realised.

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<sup>212</sup> See Lee, W-S & Coelli, MB 2010, *Analysis of private returns to vocational education and training*, NCVER, Adelaide, pp 10-11.

<sup>213</sup> In terms of probability of employment and average weekly earnings.

## G More information on a review to consider relaxation of student fee regulation

As Chapter 14 discussed, we are recommending that after the first major review to reset base prices and student fees, another separate review be conducted to consider whether the regulation of student fees should be relaxed or removed. The sections below provide more information on what such a review would involve, and how the Government subsidy component of prices would need to change if fee regulation were removed.

### G.1 What would the review involve?

The VET market would need to meet one main condition before further relaxation (or removal) of student fees could be considered appropriate – that RTOs have insufficient market power to charge higher than appropriate fees (and still attract enrolments). This could be because:

- ▼ there is sufficient competition from other RTOs to keep fees at an appropriate level, and
- ▼ there is sufficient competition from other options, such as undertaking university training or undertaking no training, to keep fees at an appropriate level.

The extent of competition between RTOs can be assessed in 2 ways. The first is the number of RTOs operating in a specific market. The information required to assess this will be collected through Smart and Skilled.

The second is the potential for RTOs to enter new markets. Assessing this involves considering the significance of any barriers to entering the VET market in reducing the contestability of the market. These could include:

- ▼ Capital costs. A 2005 survey of VET providers, both public and private, found that the most important constraint on competition in the VET market was the capital costs of entering a new market, with 42% of respondents indicating this was a constraint.<sup>214</sup> However, the significance of capital costs is likely to be lower now, and continue to fall, due to the growing use online and partially online delivery in VET.

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<sup>214</sup> Anderson, D. 2005, *Trading Places: The impact and outcomes of market reform in vocational education and training*, NCVER, p 23.

- ▼ Regulatory barriers. In the same survey, 17% of respondents indicated that regulatory barriers were a constraint on competition.<sup>215</sup> Under Smart and Skilled, RTOs will be required to obtain registration from the NSW Government and meet the Australian Quality Framework
- ▼ Information barriers. Market entrants may have less of an understanding of the size and composition of a market. The NSW Government can improve contestability by publishing information on the number of enrolments and completions across different course types and regions.

## G.2 How would removal of fee regulation affect the Government subsidy component?

If the student fee component were deregulated, the way the Government subsidy component of VET prices and fees is presented would need to change. Most likely:

- ▼ The Government subsidy for full-fee-paying students would be presented in dollars per student hour, which could vary for each course. Like the base price, this subsidy would reflect IPART's view of the full efficient cost of providing the course, **minus** our view of an appropriate student fee.
- ▼ Loadings would be presented as a proportion of the relevant Government subsidy.

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<sup>215</sup> Anderson, D. 2005, *Trading Places: The impact and outcomes of market reform in vocational education and training*, NCVER, p 23.

## H List of submissions on Issues Paper

**Table H.1 List of submissions received (due 10 May 2013)**

Submitter Name/Organisation	Date of Publication of Submission	Acronym
Auswide Colleges	8 April 2013	Auswide
Active Industry Training (confidential)	1 May 2013	AIT
The Australian College Broadway	9 May 2013	TAC
Australian Council for Private Education and Training	9 May 2013	ACPET
Australian Veterinary Association (confidential)	2 May 2013	AVA
Bannister Technical Pty Ltd.	2 May 2013	BT
Blue Mountains Adventure Company	2 May 2013	BMAC
Blue Mountains TAFE Teachers Federation	3 May 2013	BMTAFETF
Bureau Veritas Asset Integrity and Reliability Services	9 May 2013	BVAIRS
Community Colleges Australia	3 May 2013	CCA
Eurocoast Veterinary Centre	9 April 2013	EVC
Hunter Mechanical Employers Network	3 May 2013	HMEN
Individual ( P Cue)	12 April 2013	Cue
Individual (S Cassin)	3 May 2013	Cassin
Individual ( D Johnston)	3 May 2013	Johnston
Individual (Ostermann)	3 May 2013	Ostermann
Individual (J Shanley)	2 May 2013	Shanley
Individual (L Wheelahan)	3 May 2013	Wheelahan
Manufacturing Skills Australia	3 May 2013	MSA

<b>Submitter Name/Organisation</b>	<b>Date of Publication of Submission</b>	<b>Acronym</b>
The Mask Academy	12 April 2013	MASK
Master Plumbers Association of NSW	3 May 2013	MPA NSW
NSW Farmers	10 May 2013	NSWF
NSW TAFE Commission Board	7 May 2013	TAFE NSWCB
NSW Teachers Federation	3 May 2013	NSWTF
Nursery and Garden Industry Association NSW & ACT	3 May 2013	NGINA
Outdoor Recreation Industry Council of NSW	2 May 2013	ORIC
Real Institute (confidential)	3 May 2013	RI
Service Skills NSW	3 May 2013	SSNSW
Somerset Outdoor Learning Centre	7 May 2013	Somerset
Southbound Adventures	3 May 2013	Southbound
Sustain Transport	1 May 2013	Sustain
TAFE Community Alliance	6 May 2013	TAFE CA
TAFE NSW – New England Institute (confidential)	3 May 2013	TAFE NEI
TAFE NSW – South Western Sydney Institute	3 May 2013	TAFE SWSI
TAFE NSW Western Institute	26 April 2013	TAFE WI
TAFE NSW Western Sydney Institute	3 May 2013	TAFE WSI
Tocal College	29 April 2013	Tocal
University of New England	7 May 2013	UNE
Veterinary Nurses Council of Australia	2 May 2013	VNCA
Women in Adult and Vocational Education	24 April 2013	WAVE



## I Base prices and student fees for selected qualifications

Table I.1 to Table I.3 provide base prices and student fees for a selected list of qualifications that currently receive government funding under the SSP and ATTP. This list is not exhaustive and only includes qualifications where we have information on TAFE's typical combination of UoCs. It *is not* a list of courses that will receive government funding under Smart and Skilled. DEC is developing a skills list to define the courses and qualifications that will receive government funding.

Table I.1 Base prices and fees for students that pay the standard fee (nominal \$)

AQF Industry sector	National ID	Qualification name	Base price	Nominal hours	Student fee			Increase in fee (first qualification)	
					Current	First qualification	Subsequent qualification	Per qualification	Per year
Arts, Communication, Finance and Property	BSB30307	Certificate III in Micro Business Operations	5,080	410	1,586	2,032	2,286	446	223
Arts, Communication, Finance and Property	BSB40110	Certificate IV in Legal Services	6,230	630	2,156	2,492	2,804	336	168
Arts, Communication, Finance and Property	BSB50207	Diploma of Business	6,940	497	2,864	2,776	3,123	-88	-44
Arts, Communication, Finance and Property	BSB50407	Diploma of Business Administration	6,070	342	2,864	2,428	2,732	-436	-218
Arts, Communication, Finance and Property	BSB51107	Diploma of Management	6,870	480	2,864	2,748	3,092	-116	-58
Arts, Communication, Finance and Property	BSB51507	Diploma of Purchasing	6,460	404	2,864	2,584	2,907	-280	-140
Arts, Communication, Finance and Property	BSB60407	Advanced Diploma of Management	6,950	497	3,440	2,780	3,128	-660	-330
Arts, Communication, Finance and Property	BSB60707	Advanced Diploma of Project Management	6,660	440	3,440	2,664	2,997	-776	-388
Arts, Communication, Finance and Property	CUE20103	Certificate II in Live Production, Theatre and Events	2,620	196	759	1,048	1,179	289	193
Arts, Communication, Finance and Property	CUF30207	Certificate III in Broadcast Technology	9,440	805	1,586	3,776	4,248	2,190	1,095
Arts, Communication, Finance and Property	FNS30111	Certificate III in Financial Services	4,510	303	1,586	1,804	2,030	218	109
Arts, Communication, Finance and Property	FNS30210	Certificate III in Personal Injury Management (Claims Management)	4,930	384	1,586	1,972	2,219	386	193
Arts, Communication, Finance and Property	FNS30311	Certificate III in Accounts Administration	4,940	391	1,586	1,976	2,223	390	195
Arts, Communication, Finance and Property	FNS40211	Certificate IV in Bookkeeping	5,340	470	2,156	2,136	2,403	-20	-10
Arts, Communication, Finance and Property	FNS41811	Certificate IV in Financial Services	5,720	531	2,156	2,288	2,574	132	66

AQF Industry sector	National ID	Qualification name	Base price	Nominal hours	Student fee			Increase in fee (first qualification)	
					Current	First qualification	Subsequent qualification	Per qualification	Per year
Arts, Communication, Finance and Property	FNS50611	Diploma of Financial Planning	8,240	750	2,864	3,296	3,708	432	216
Arts, Communication, Finance and Property	FNS60311	Advanced Diploma of Conveyancing	9,390	980	3,440	3,756	4,226	316	158
Arts, Communication, Finance and Property	ICA50311	Diploma of Information Technology Systems Administration	9,210	826	2,864	3,684	4,145	820	410
Arts, Communication, Finance and Property	ICA60211	Advanced Diploma of Network Security	9,020	777	3,440	3,608	4,059	168	84
Arts, Communication, Finance and Property	ICT20210	Certificate II in Telecommunications	5,290	478	759	2,116	2,381	1,357	905
Arts, Communication, Finance and Property	ICT20310	Certificate II in Telecommunications Cabling	5,420	478	759	2,168	2,439	1,409	939
Arts, Communication, Finance and Property	ICT30210	Certificate III in Telecommunications	7,080	500	1,586	2,832	3,186	1,246	623
Arts, Communication, Finance and Property	ICT30310	Certificate III in Telecommunications Cabling	7,030	500	1,586	2,812	3,164	1,226	613
Arts, Communication, Finance and Property	ICT40210	Certificate IV in Telecommunications Network Engineering	6,930	494	2,156	2,772	3,119	616	308
Arts, Communication, Finance and Property	ICT60210	Advanced Diploma of Telecommunications Network Engineering	9,260	585	3,440	3,704	4,167	264	132
Community Services & Health	CHC30112	Certificate III in Community Services Work	5,000	410	1,586	2,000	2,250	414	207
Community Services & Health	CHC30212	Certificate III in Aged Care	5,550	473	1,586	2,220	2,498	634	317
Community Services & Health	CHC30312	Certificate III in Home and Community Care	5,340	486	1,586	2,136	2,403	550	275
Community Services & Health	CHC30408	Certificate III in Disability	5,980	577	1,586	2,392	2,691	806	403
Community Services & Health	CHC40108	Certificate IV in Aged Care	6,710	753	2,156	2,684	3,020	528	264
Community Services & Health	CHC40608	Certificate IV in Leisure and Health	6,970	778	2,156	2,788	3,137	632	316
Community Services & Health	CHC40708	Certificate IV in Community Services Work	6,090	623	2,156	2,436	2,741	280	140
Community Services & Health	CHC50108	Diploma of Disability	10,070	1,157	2,864	4,028	4,532	1,164	582

I Base prices and student fees for selected qualifications

AQF Industry sector	National ID	Qualification name	Base price	Nominal hours	Student fee			Increase in fee (first qualification)	
					Current	First qualification	Subsequent qualification	Per qualification	Per year
Community Services & Health	CHC50412	Diploma of Community Services (Alcohol, other drugs and mental health)	10,510	1,270	2,864	4,204	4,730	1,340	670
Community Services & Health	CHC50612	Diploma of Community Services Work	10,040	1,171	2,864	4,016	4,518	1,152	576
Community Services & Health	CHC51712	Diploma of Counselling	9,310	1,013	2,864	3,724	4,190	860	430
Community Services & Health	CHC52008	Diploma of Community Services (Case management)	8,990	945	2,864	3,596	4,046	732	366
Community Services & Health	CHC52108	Diploma of Community Services (Financial counselling)	10,270	1,153	2,864	4,108	4,622	1,244	622
Community Services & Health	CHC60312	Advanced Diploma of Community Sector Management	9,030	948	3,440	3,612	4,064	172	86
Community Services & Health	HLT32912	Certificate III in Health Administration	5,540	540	1,586	2,216	2,493	630	315
Community Services & Health	HLT43212	Certificate IV in Health Administration	5,670	518	2,156	2,268	2,552	112	56
Community Services & Health	HLT51612	Diploma of Nursing (Enrolled/Division 2 nursing)	13,960	1,508	2,864	5,584	6,282	2,720	1,360
Community Services & Health	HLT61107	Advanced Diploma of Nursing (Enrolled/Division 2 nursing)	7,260	470	3,440	2,904	3,267	-536	-268
Construction	CPC30111	Certificate III in Bricklaying/Blocklaying	9,280	853	1,586	3,712	4,176	2,126	1,063
Construction	CPC30211	Certificate III in Carpentry	10,650	1,026	1,586	4,260	4,793	2,674	1,337
Construction	CPC32011	Certificate III in Carpentry and Joinery	11,370	1,074	1,586	4,548	5,117	2,962	1,481
Construction	CPC50108	Diploma of Building Surveying	12,460	1,166	2,864	4,984	5,607	2,120	1,060
Construction	CPC50210	Diploma of Building and Construction (Building)	17,380	1,735	2,864	6,952	7,821	4,088	2,044
Forestry and Furnishing	LMF20908	Certificate II in Flooring Technology	5,270	383	759	2,108	2,372	1,349	899
Forestry and Furnishing	LMF30202	Certificate III in Furniture Finishing	11,470	815	1,586	4,588	5,162	3,002	1,501
Forestry and Furnishing	LMF30302	Certificate III in Furniture Making	12,570	895	1,586	5,028	5,657	3,442	1,721
Forestry and Furnishing	LMF30502	Certificate III in Furniture Making (Wood Machining)	13,340	968	1,586	5,336	6,003	3,750	1,875

Base prices and student fees for selected qualifications

AQF Industry sector	National ID	Qualification name	Base price	Nominal hours	Student fee			Increase in fee (first qualification)	
					Current	First qualification	Subsequent qualification	Per qualification	Per year
Forestry and Furnishing	LMF31208	Certificate III in Flooring Technology	13,890	1,099	1,586	5,556	6,251	3,970	1,985
Forestry and Furnishing	LMF32009	Certificate III in Kitchens and Bathrooms (Client Services)	7,300	460	1,586	2,920	3,285	1,334	667
Forestry and Furnishing	LMF32109	Certificate III in Cabinet Making	11,810	856	1,586	4,724	5,315	3,138	1,569
Forestry and Furnishing	LMF50408	Diploma of Interior Design and Decoration	15,030	1,460	2,864	6,012	6,764	3,148	1,574
Forestry and Furnishing	LMF50508	Diploma of Furniture Design and Technology	17,100	1,572	2,864	6,840	7,695	3,976	1,988
Forestry and Furnishing	LMF60208	Advanced Diploma of Interior Design	18,390	1,914	3,440	7,356	8,276	3,916	1,958
Manufacturing	LMT30507	Certificate III in Clothing Production	9,560	720	1,586	3,824	4,302	2,238	1,119
Manufacturing	LMT31909	Certificate III in Engineering - TCF Mechanic	10,870	920	1,586	4,348	4,892	2,762	1,381
Manufacturing	MEM30205	Certificate III in Engineering - Mechanical Trade	11,230	960	1,586	4,492	5,054	2,906	1,453
Manufacturing	MEM30305	Certificate III in Engineering - Fabrication Trade	11,270	960	1,586	4,508	5,072	2,922	1,461
Manufacturing	MEM30605	Certificate III in Jewellery Manufacture	10,310	1,000	1,586	4,124	4,640	2,538	1,269
Manufacturing	MEM30705	Certificate III in Marine Craft Construction	11,380	960	1,586	4,552	5,121	2,966	1,483
Manufacturing	MEM30805	Certificate III in Locksmithing	11,120	960	1,586	4,448	5,004	2,862	1,431
Manufacturing	MEM40105	Certificate IV in Engineering	14,300	1,320	2,156	5,720	6,435	3,564	1,782
Manufacturing	MEM50105	Diploma of Engineering - Advanced Trade	17,990	1,580	2,864	7,196	8,096	4,332	2,166
Manufacturing	MSA50108	Diploma of Manufacturing Technology	13,380	1,024	2,864	5,352	6,021	2,488	1,244
Manufacturing	MSL50109	Diploma of Laboratory Technology	17,340	1,661	2,864	6,936	7,803	4,072	2,036
Manufacturing	PMA50108	Diploma of Process Plant Technology	8,860	518	2,864	3,544	3,987	680	340
Primary Industries and Food	AHC20410	Certificate II in Horticulture	4,270	461	759	1,708	1,922	949	633
Primary Industries and Food	AHC20510	Certificate II in Arboriculture	4,320	466	759	1,728	1,944	969	646
Primary Industries and Food	AHC30810	Certificate III in Arboriculture	8,650	946	1,586	3,460	3,893	1,874	937

Base prices and student fees for selected qualifications

AQF Industry sector	National ID	Qualification name	Base price	Nominal hours	Student fee			Increase in fee (first qualification)	
					Current	First qualification	Subsequent qualification	Per qualification	Per year
Primary Industries and Food	AHC30910	Certificate III in Landscape Construction	9,750	959	1,586	3,900	4,388	2,314	1,157
Primary Industries and Food	AHC31010	Certificate III in Parks and Gardens	9,310	1,071	1,586	3,724	4,190	2,138	1,069
Primary Industries and Food	AHC31110	Certificate III in Production Nursery	8,350	908	1,586	3,340	3,758	1,754	877
Primary Industries and Food	FDF30111	Certificate III in Food Processing	7,120	543	1,586	2,848	3,204	1,262	631
Primary Industries and Food	FDF30610	Certificate III in Retail Baking (Bread)	7,140	552	1,586	2,856	3,213	1,270	635
Primary Industries and Food	FDF30710	Certificate III in Retail Baking (Combined)	9,600	858	1,586	3,840	4,320	2,254	1,127
Primary Industries and Food	MTM30111	Certificate III in Meat Processing (Boning Room)	7,020	540	1,586	2,808	3,159	1,222	611
Primary Industries and Food	RGR20108	Certificate II in Racing (Stablehand)	3,960	430	759	1,584	1,782	825	550
Primary Industries and Food	RGR30108	Certificate III in Racing (Trackrider)	8,440	958	1,586	3,376	3,798	1,790	895
Primary Industries and Food	RGR30208	Certificate III in Racing (Advanced Stablehand)	7,560	796	1,586	3,024	3,402	1,438	719
Primary Industries and Food	RGR40108	Certificate IV in Racing (Racehorse Trainer)	7,870	870	2,156	3,148	3,542	992	496
Public Sector	LGA40504	Certificate IV in Local Government (Regulatory Services)	6,250	577	2,156	2,500	2,813	344	172
Public Sector	NWP30107	Certificate III in Water Operations	7,690	552	1,586	3,076	3,461	1,490	745
Public Sector	NWP40107	Certificate IV in Water Operations	8,500	680	2,156	3,400	3,825	1,244	622
Public Sector	NWP50107	Diploma of Water Operations	9,730	636	2,864	3,892	4,379	1,028	514
Resources and Infrastructure	RII20409	Certificate II in Underground Metalliferous Mining	2,500	179	759	1,000	1,125	241	161
Resources and Infrastructure	RII20712	Certificate II in Civil Construction	4,270	382	759	1,708	1,922	949	633
Resources and Infrastructure	RII20809	Certificate II in Bituminous Surfacing	3,820	374	759	1,528	1,719	769	513
Resources and Infrastructure	RII20909	Certificate II in Drilling Operations	4,270	414	759	1,708	1,922	949	633
Resources and Infrastructure	RII30112	Certificate III in Surface Extraction Operations	5,290	400	1,586	2,116	2,381	530	265

I Base prices and student fees for selected qualifications

AQF Industry sector	National ID	Qualification name	Base price	Nominal hours	Student fee			Increase in fee (first qualification)	
					Current	First qualification	Subsequent qualification	Per qualification	Per year
Resources and Infrastructure	RII30311	Certificate III in Underground Metalliferous Mining	6,130	483	1,586	2,452	2,759	866	433
Resources and Infrastructure	RII30411	Certificate III in Resource Processing	5,650	403	1,586	2,260	2,543	674	337
Resources and Infrastructure	RII30809	Certificate III in Civil Construction Plant Operations	9,120	955	1,586	3,648	4,104	2,062	1,031
Resources and Infrastructure	RII30912	Certificate III in Civil Construction	9,260	789	1,586	3,704	4,167	2,118	1,059
Resources and Infrastructure	RII31609	Certificate III in Trenchless Technology	7,660	730	1,586	3,064	3,447	1,478	739
Resources and Infrastructure	RII31809	Certificate III in Drilling Operations	6,340	516	1,586	2,536	2,853	950	475
Resources and Infrastructure	RII40809	Certificate IV in Civil Construction Design	9,730	905	2,156	3,892	4,379	1,736	868
Resources and Infrastructure	RII50109	Diploma of Surface Operations Management	11,020	1,190	2,864	4,408	4,959	1,544	772
Transport & Logistics	AVI20408	Certificate II in Aviation (Ground Operations and Service)	3,880	312	759	1,552	1,746	793	529
Transport & Logistics	AVI30408	Certificate III in Aviation (Ground Operations and Service)	6,700	543	1,586	2,680	3,015	1,094	547
Transport & Logistics	AVI40108	Certificate IV in Aviation (Commercial Pilot Aeroplane Licence)	8,550	630	2,156	3,420	3,848	1,264	632
Transport & Logistics	AVI50408	Diploma of Aviation (Instrument Flight Operations)	7,170	314	2,864	2,868	3,227	4	2
Transport & Logistics	TLI21610	Certificate II in Warehousing Operations	3,350	345	759	1,340	1,508	581	387
Transport & Logistics	TLI21810	Certificate II in Logistics	2,870	252	759	1,148	1,292	389	259
Transport & Logistics	TLI31210	Certificate III in Driving Operations	7,560	603	1,586	3,024	3,402	1,438	719
Transport & Logistics	TLI31610	Certificate III in Warehousing Operations	6,030	558	1,586	2,412	2,714	826	413
Transport & Logistics	TLI32410	Certificate III in Logistics	5,250	418	1,586	2,100	2,363	514	257
Transport & Logistics	TLI41610	Certificate IV in International Freight Forwarding (Senior Operator)	5,990	579	2,156	2,396	2,696	240	120
Transport & Logistics	TLI41810	Certificate IV in Warehousing Operations	6,140	610	2,156	2,456	2,763	300	150

I Base prices and student fees for selected qualifications

AQF Industry sector	National ID	Qualification name	Base price	Nominal hours	Student fee			Increase in fee (first qualification)	
					Current	First qualification	Subsequent qualification	Per qualification	Per year
Transport & Logistics	TLI42010	Certificate IV in Logistics	6,010	588	2,156	2,404	2,705	248	124
Transport & Logistics	TLI50410	Diploma of Logistics	8,990	889	2,864	3,596	4,046	732	366
Utilities and Electrotechnology	UEE22011	Certificate II in Electrotechnology (Career Start)	4,290	380	759	1,716	1,931	957	638
Utilities and Electrotechnology	UEE30811	Certificate III in Electrotechnology Electrician	11,850	1,100	1,586	4,740	5,333	3,154	1,577
Utilities and Electrotechnology	UEE41911	Certificate IV in Electrical - Renewable Energy	14,490	1,380	2,156	5,796	6,521	3,640	1,820

**Note:** Existing fees assume that Certificate II takes 1.5 years to complete and all higher level qualifications take 2 years to complete.

I Base prices and student fees for selected qualifications



**Table I.2 Base prices and fees for apprentices (nominal \$)**

Industry sector	National ID	Qualification name	Base price	Nominal hours	Student Fee		Increase in fee (first qualification)	
					Current	First and subsequent qualification	Per qualification	Per year
ForestWorks	LMF32109	Certificate III in Cabinet Making	11,810	856	1,673	3,000	1,327	379
Manufacturing	MEM30205	Certificate III in Engineering - Mechanical Trade	11,230	960	1,673	3,000	1,327	379
Manufacturing	MEM30305	Certificate III in Engineering - Fabrication Trade	11,270	960	1,673	3,000	1,327	379
NSW Construction and Select Property Services	CPC30111	Certificate III in Bricklaying/Blocklaying	9,280	853	1,673	3,000	1,327	379
NSW Construction and Select Property Services	CPC30211	Certificate III in Carpentry	10,650	1,026	1,673	3,000	1,327	379
NSW Construction and Select Property Services	CPC30611	Certificate III in Painting and Decorating	11,760	1,000	1,673	3,000	1,327	379
NSW Construction and Select Property Services	CPC31211	Certificate III in Wall and Ceiling Lining	9,360	860	1,673	3,000	1,327	379
NSW Construction and Select Property Services	CPC31511	Certificate III in Formwork/Falsework	9,160	840	1,673	3,000	1,327	379
NSW Construction and Select Property Services	CPC32011	Certificate III in Carpentry and Joinery	11,370	1,074	1,673	3,000	1,327	379
Personal Services, Retail, Tourism and Hospitality	SIB40110	Certificate IV in Beauty Therapy	9,630	997	1,673	3,000	1,327	379
Personal Services, Retail, Tourism and Hospitality	SIH30111	Certificate III in Hairdressing	9,840	1,023	1,673	3,000	1,327	379
Primary Industries and Food	AHC30910	Certificate III in Landscape Construction	9,750	959	1,673	3,000	1,327	379
Primary Industries and Food	AHC31010	Certificate III in Parks and Gardens	9,310	1,071	1,673	3,000	1,327	379
Primary Industries and Food	MTM30811	Certificate III in Meat Processing (Retail Butcher)	10,060	977	1,673	3,000	1,327	379
Utilities and Electrotechnology	UEE30811	Certificate III in Electrotechnology Electrician	11,850	1,100	1,673	3,000	1,327	379

**Note:** Existing fees assume that a qualification takes 3.5 years to complete (ie, the student pays fees for 7 semesters).

**Table I.3 Base prices and fees for trainees (nominal \$)**

Industry sector	National ID	Qualification name	Base price	Nominal hours	Student Fee		Increase in fee (first qualification)	
					Current	First and subsequent qualification	Per qualification	Per year
Arts, Communication, Finance and Property	CPP20611	Certificate II in Cleaning Operations	3,020	150	717	1,208	491	327
Arts, Communication, Finance and Property	CPP40307	Certificate IV in Property Services (Real Estate)	6,720	725	1,673	2,688	1,015	508
Arts, Communication, Finance and Property	CUE40303	Certificate IV in Live Production, Theatre and Events (Technical Operations)	8,710	866	1,673	3,000	1,327	664
Arts, Communication, Finance and Property	CUF30107	Certificate III in Media	5,940	448	1,673	2,376	703	352
Arts, Communication, Finance and Property	CUF40107	Certificate IV in Screen and Media	8,060	690	1,673	3,000	1,327	664
Arts, Communication, Finance and Property	CUF40207	Certificate IV in Interactive Digital Media	5,940	482	1,673	2,376	703	352
Arts, Communication, Finance and Property	CUL30111	Certificate III in Information and Cultural Services	5,110	405	1,673	2,044	371	186
Arts, Communication, Finance and Property	CUL40111	Certificate IV in Library, Information and Cultural Services	6,510	663	1,673	2,604	931	466
Arts, Communication, Finance and Property	CUS20109	Certificate II in Music	3,880	376	717	1,552	835	557
Arts, Communication, Finance and Property	FNS30311	Certificate III in Accounts Administration	4,940	391	1,673	1,976	303	152
Arts, Communication, Finance and Property	FNS40611	Certificate IV in Accounting	6,170	632	1,673	2,468	795	398
Arts, Communication, Finance and Property	ICA20111	Certificate II in Information, Digital Media and Technology	3,860	437	717	1,544	827	551
Arts, Communication, Finance and Property	ICA30111	Certificate III in Information, Digital Media and Technology	6,750	680	1,673	2,700	1,027	514
Arts, Communication, Finance and Property	ICA40111	Certificate IV in Information Technology	8,190	909	1,673	3,000	1,327	664
Arts, Communication, Finance and Property	ICA50411	Diploma of Information Technology Networking	10,430	968	1,673	3,000	1,327	664

Industry sector	National ID	Qualification name	Base price	Nominal hours	Student Fee		Increase in fee (first qualification)	
					Current	First and subsequent qualification	Per qualification	Per year
Arts, Communication, Finance and Property	ICP20210	Certificate II in Printing and Graphic Arts (Desktop Publishing)	7,410	573	717	2,964	2,247	1,498
Community Services & Health	CHC30212	Certificate III in Aged Care	5,550	473	1,673	2,220	547	274
ForestWorks	FPI20211	Certificate II in Harvesting and Haulage	3,580	432	717	1,432	715	477
ForestWorks	LMF20309	Certificate II in Furniture Making	5,900	422	717	2,360	1,643	1,095
Manufacturing	LMT21707	Certificate II in Applied Fashion Design and Technology	5,430	456	717	2,172	1,455	970
Manufacturing	LMT31407	Certificate III in Applied Fashion Design and Technology	10,470	849	1,673	3,000	1,327	664
Manufacturing	MEM20105	Certificate II in Engineering	4,270	320	717	1,708	991	661
Manufacturing	MEM20205	Certificate II in Engineering - Production Technology	7,220	660	717	2,888	2,171	1,447
Manufacturing	MSA30208	Certificate III in Manufacturing Technology	7,010	468	1,673	2,804	1,131	566
Manufacturing	MSL30109	Certificate III in Laboratory Skills	6,970	473	1,673	2,788	1,115	558
Manufacturing	PMB40107	Certificate IV in Polymer Technology	12,510	1,048	1,673	3,000	1,327	664
NSW Construction and Select Property Services	CPC30711	Certificate III in Rigging	7,940	661	1,673	3,000	1,327	664
Personal Services, Retail, Tourism and Hospitality	SFL20110	Certificate II in Floristry (Assistant)	4,220	495	717	1,688	971	647
Personal Services, Retail, Tourism and Hospitality	SFL30110	Certificate III in Floristry	7,740	850	1,673	3,000	1,327	664
Personal Services, Retail, Tourism and Hospitality	SIB20110	Certificate II in Retail Make-Up and Skin Care	4,170	455	717	1,668	951	634
Personal Services, Retail, Tourism and Hospitality	SIH20111	Certificate II in Hairdressing	3,900	365	717	1,560	843	562
Personal Services, Retail, Tourism and Hospitality	SIR20212	Certificate II in Retail Services	3,250	340	717	1,300	583	389
Personal Services, Retail, Tourism and Hospitality	SIR40212	Certificate IV in Retail Management	4,830	358	1,673	1,932	259	130
Personal Services, Retail, Tourism and Hospitality	SIS20110	Certificate II in Community Activities	2,440	200	717	976	259	173

Industry sector	National ID	Qualification name	Base price	Nominal hours	Student Fee		Increase in fee (first qualification)	
					Current	First and subsequent qualification	Per qualification	Per year
Personal Services, Retail, Tourism and Hospitality	SIS30310	Certificate III in Fitness	5,050	466	1,673	2,020	347	174
Personal Services, Retail, Tourism and Hospitality	SIS40210	Certificate IV in Fitness	5,970	655	1,673	2,388	715	358
Primary Industries and Food	ACM20110	Certificate II in Animal Studies	3,810	418	717	1,524	807	538
Primary Industries and Food	ACM30310	Certificate III in Captive Animals	6,900	694	1,673	2,760	1,087	544
Primary Industries and Food	AHC20110	Certificate II in Agriculture	5,560	594	717	2,224	1,507	1,005
Primary Industries and Food	AHC20410	Certificate II in Horticulture	4,270	461	717	1,708	991	661
Primary Industries and Food	AHC21010	Certificate II in Conservation and Land Management	4,780	560	717	1,912	1,195	797
Primary Industries and Food	AHC30110	Certificate III in Agriculture	9,790	1,093	1,673	3,000	1,327	664
Primary Industries and Food	AHC30710	Certificate III in Horticulture	9,570	1,095	1,673	3,000	1,327	664
Primary Industries and Food	AHC41310	Certificate IV in Wool Classing	8,900	1,058	1,673	3,000	1,327	664
Transport & Logistics	AVI20208	Certificate II in Aviation (Flight Operations)	3,810	309	717	1,524	807	538

**Note:** Existing fees assume that Certificate II takes 1.5 years to complete and all higher level qualifications take 2 years to complete.

## J | High cost units of competency

This appendix lists the set of UoCs which we have identified to have higher costs. Please note that some of listed National ID codes may have been superseded by more recent UoC codes.

**Table J.1 High cost Fields of Education (FoE)**

National ID	FoE Name	Industry	Premium over standard UoCs	\$/hr for high cost UoCs	\$/hour for standard UoCs
60703	Dental Assisting	14 HEALTH SERVICES	33%	8.67	6.51
60705	Dental Technology	14 HEALTH SERVICES	33%	8.67	6.51

**Note:** All UoCs that fall into these fields of education are assigned the higher \$/hour cost.

**Table J.2 High cost Units of Competency (UoC)**

National ID	UoC Name	Industry	Premium over standard UoCs	\$/hr for high cost UoCs	\$/hour for standard UoCs
<b>PRINTING</b>					
ICPCF221C	Set up and produce basic guillotined product	07 PRINTING	32%	13.65	10.31
ICPCF225C	Set up machine for basic flat-bed die cutting or embossing	07 PRINTING	32%	13.65	10.31
ICPCF241B	Set up machine for basic single or continuous folding	07 PRINTING	32%	13.65	10.31
ICPCF242B	Produce basic single or continuous folded product	07 PRINTING	32%	13.65	10.31
ICPCF321B	Set up and produce complex guillotined product	07 PRINTING	32%	13.65	10.31
ICPCF341B	Set up machine for complex sequenced or multiple folding	07 PRINTING	32%	13.65	10.31
ICPCF342B	Produce complex sequenced or multiple folded product	07 PRINTING	32%	13.65	10.31
ICPCF343B	Set up machine for complex collating or inserting (sheet / section / reel)	07 PRINTING	32%	13.65	10.31
ICPCF344B	Produce complex collated or inserted (sheet / section / reel) product	07 PRINTING	32%	13.65	10.31
ICPCF361B	Set up machine for complex adhesive, mechanical or sewn fastening	07 PRINTING	32%	13.65	10.31
ICPCF362B	Produce complex adhesive, mechanical or sewn fastened product	07 PRINTING	32%	13.65	10.31

National ID	UoC Name	Industry	Premium \$/hr for high over standard UoCs	\$/hr for high cost UoCs	\$ /hour for standard UoCs
ICPKN312C	Apply knowledge of printing machining	07 PRINTING	32%	13.65	10.31
ICPPP266C	Produce relief plates	07 PRINTING	32%	13.65	10.31
ICPPP267B	Produce offset lithographic plates	07 PRINTING	32%	13.65	10.31
ICPPP334A	Prepare an imposition format for printing processes	07 PRINTING	32%	13.65	10.31
ICPPR214C	Produce basic flexographic printed product	07 PRINTING	32%	13.65	10.31
ICPPR214B	Produce basic relief printed product	07 PRINTING	32%	13.65	10.31
ICPPR313C	Set up for basic flexographic printing	07 PRINTING	32%	13.65	10.31
ICPPR393A	Set up for basic relief printing	07 PRINTING	32%	13.65	10.31
ICPPR352B	Produce complex relief printed product	07 PRINTING	32%	13.65	10.31
ICPPR451B	Set up for complex relief printing	07 PRINTING	32%	13.65	10.31
ICPSP373B	Semi-automatically produce complex screen prints	07 PRINTING	32%	13.65	10.31
ICPSP376B	Operate an automatic screen printing machine	07 PRINTING	32%	13.65	10.31
ICPSU201B	Prepare, load and unload reels and cores on and off machine	07 PRINTING	32%	13.65	10.31
ICPSU202B	Prepare, load and unload product on and off machine	07 PRINTING	32%	13.65	10.31
ICPSU207B	Prepare machine for operation (basic)	07 PRINTING	32%	13.65	10.31
ICPSU208B	Operate and monitor machines (basic)	07 PRINTING	32%	13.65	10.31
ICPSU211B	Prepare ink and additives	07 PRINTING	32%	13.65	10.31
ICPSU216C	Inspect quality against required standards	07 PRINTING	32%	13.65	10.31
ICPSU224B	Perform basic machine maintenance	07 PRINTING	32%	13.65	10.31
ICPSU311C	Prepare ink and additives (advanced)	07 PRINTING	32%	13.65	10.31
ICPSU352B	Plan operational processes	07 PRINTING	32%	13.65	10.31
ICPSU357C	Apply quick changeover procedures	07 PRINTING	32%	13.65	10.31

J High cost units of competency

National ID	UoC Name	Industry	Premium \$/hr for high over standard UoCs	\$/hr for high cost UoCs	\$ /hour for standard UoCs
<b>BULIDING CONSTRUCTION</b>					
<b>BUILDING FINISHES</b>					
<b>Bricklaying and Stonemasonry</b>					
BCF2000A	Identify and use stone products	09 BUILDING CONSTRUCTION	12%	11.34	10.13
BCF2003A	Finish stone	09 BUILDING CONSTRUCTION	12%	11.34	10.13
BCF2017A	Lay stone	09 BUILDING CONSTRUCTION	12%	11.34	10.13
BCF3021A	Inlay lead to stone	09 BUILDING CONSTRUCTION	12%	11.34	10.13
BCF3027A	Lay stair and floor surfaces	09 BUILDING CONSTRUCTION	12%	11.34	10.13
BCF3034A	Set out and cut letters in stone	09 BUILDING CONSTRUCTION	12%	11.34	10.13
BCF3043A	Shape solid stone	09 BUILDING CONSTRUCTION	12%	11.34	10.13
BCF3064A	Carry out cemetery monument fixing	09 BUILDING CONSTRUCTION	12%	11.34	10.13
BCF3065A	Set and anchor stone facades	09 BUILDING CONSTRUCTION	12%	11.34	10.13
BCF3066A	Split stone manually	09 BUILDING CONSTRUCTION	12%	11.34	10.13
BCF3067A	Dress stone manually	09 BUILDING CONSTRUCTION	12%	11.34	10.13
BCG2003A	Carry out general demolition	09 BUILDING CONSTRUCTION	12%	11.34	10.13
BCG3050A	Renovate and restore stone work	09 BUILDING CONSTRUCTION	12%	11.34	10.13
BCG3056A	Construct stone arches	09 BUILDING CONSTRUCTION	12%	11.34	10.13
BCG3069A	Construct fireplace and chimney	09 BUILDING CONSTRUCTION	12%	11.34	10.13
BCG3074A	Carry out profile work	09 BUILDING CONSTRUCTION	12%	11.34	10.13
BCG3075A	Machine stone	09 BUILDING CONSTRUCTION	12%	11.34	10.13
BCG3083A	Apply gilding to stone	09 BUILDING CONSTRUCTION	12%	11.34	10.13
BCG3115A	Lay segmental/unit paving	09 BUILDING CONSTRUCTION	12%	11.34	10.13
<b>Glazing</b>					
LMFGG2001B	Use glass and glazing sector hand and power tools	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFGG2003A	Operate glass freefall rack and table	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFGG2003B	Operate glass freefall rack and table	09 BUILDING CONSTRUCTION	12%	11.34	10.13

J High cost units of competency



National ID	UoC Name	Industry	Premium \$/hr for high over standard UoCs	\$/hr for high cost UoCs	\$ /hour for standard UoCs
LMFGG2004B	Process thin glass by hand	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFGG2005B	Move glass sheets by hand	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFGG2006B	Move single glass sheets by mechanical means	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFGG2007B	Process glass by basic machines	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFGG2008B	Glaze_reglaze residential windows and doors	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFGG2009B	Fabricate and assemble metal frames	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFGG2010B	Fabricate and install insect and security screens	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFGG3002B	Assess glass and glazing requirements	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFGG3004B	Process thick glass by hand	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFGG3005B	Process glass by semi-automatic and automatic machines	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFGG3006B	Apply film to glass	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFGG3008B	Apply patterns and designs to glass	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFGG3013B	Construct and repair leadlight panels	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFGG3014B	Prepare and install mirrors	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFGG3015B	Fabricate and install shower screens and wardrobe doors	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFGG3016B	Fabricate and install residential windows and doors	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFGG3017B	Fabricate and install commercial glazing	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFGG3018B	Prepare and install architectural engineered glazing	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFGG3019B	Conduct commercial and structural glazing	09 BUILDING CONSTRUCTION	12%	11.34	10.13
<b>FURNISHING</b>				<b>11.34</b>	<b>10.13</b>
<b>Cabinet Making</b>				<b>11.34</b>	<b>10.13</b>
LMFFM3002B	Construct furniture using leg and rail method	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFFM3005B	Fabricate custom furniture	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFFM3006A	Install furnishing products	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFFM3007B	Prepare and apply decorative surfaces for furniture	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFFM3033B	Construct jigs and fixtures	09 BUILDING CONSTRUCTION	12%	11.34	10.13

J High cost units of competency

National ID	UoC Name	Industry	Premium \$/hr for high over standard UoCs	\$/hr for high cost UoCs	\$ /hour for standard UoCs
LMFFM2004B	Apply sheet laminates by hand	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFFM2005B	Join solid timber	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFFM1002B	Operate basic woodworking machines	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFFM2001A	Use furniture making sector hand and power tools	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFFM2002A	Assemble furnishing components	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFFM2004A	Apply sheet laminates by hand	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFFM2005A	Join solid timber	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFFM2006A	Hand make timber joints	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFFM2010B	Set up, operate and maintain basic static machines	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFFM2011A	Apply manufactured board conversion techniques	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFFM3002A	Construct furniture using leg and rail method	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFFM3003A	Produce angled and curved furniture using manufactured board	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFFM3004A	Produce angled and curved furniture using solid timber	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFFM3005A	Fabricate custom furniture	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFFM3006A	Install furnishing products	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFFM3007A	Prepare and apply decorative surfaces for furniture	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFFM3020A	Set up, operate and maintain sawing machines	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFFM3021B	Set up, operate and maintain drilling machines	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFFM3022B	Set up, operate and maintain joining machines	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFFM3024A	Set up, operate and maintain multi-head planing and moulding machines	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFFM3025A	Set up, operate and maintain routing and shaping machines	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFFM3026B	Set up, operate and maintain mechanical wood turning lathes	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFFM3027A	Set up, operate and maintain automated edge banding machines	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFFM3028A	Fabricate synthetic solid surface products	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFFM3030A	Set up and operate Computer Numerically Controlled sizing machines	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFFM3031A	Set up, operate and maintain CNC machining and processing centres	09 BUILDING CONSTRUCTION	12%	11.34	10.13

J High cost units of competency

National ID	UoC Name	Industry	Premium \$/hr for high over standard UoCs	\$/hr for high cost UoCs	\$ /hour for standard UoCs
LMFFM3032A	Produce and maintain cutting tools	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFFM3033A	Construct jigs and fixtures	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFFT4006A	Construct prototypes and samples	09 BUILDING CONSTRUCTION	12%	11.34	10.13
<b>Furniture polishing</b>					
LMFFF2001B	Use furniture finishing sector hand and power tools	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFFF2002B	Dismantle_re-assemble furniture	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFFF2003B	Remove surface coatings	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFFF2004B	Prepare surfaces for finishing	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFFF2005B	Maintain spray equipment and booth	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFFF2006A	Apply surface coatings by spray gun	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFFF2007B	Apply stains, fillers and bleach	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFFF2008B	Apply surface coatings by hand	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFFF3001B	Match and make up colours	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFFF3003A	Apply plural component coatings	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFFF3004A	Apply soft rubber techniques	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFFF3005B	Enhance finishes	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFFF3006B	Repair and touch up surfaces	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFFF3007A	Apply graining and decorative finishes	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFFF3008A	Apply traditional french polishing techniques	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFFM2001B	Use furniture making sector hand and power tools	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFFM2002B	Assemble furnishing components	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFFM2004B	Apply sheet laminates by hand	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFFM2005B	Join solid timber	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFFM2006B	Hand make timber joints	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFFM2010B	Set up, operate and maintain basic static machines	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFFM2011B	Apply manufactured board conversion techniques	09 BUILDING CONSTRUCTION	12%	11.34	10.13

J High cost units of competency

National ID	UoC Name	Industry	Premium \$/hr for high over standard UoCs	\$/hr for high cost UoCs	\$ /hour for standard UoCs
LMFFM3002B	Construct furniture using leg and rail method	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFFM3003B	Produce angled and curved furniture using manufactured board	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFFM3005B	Fabricate custom furniture	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFFM3006B	Install furnishing	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFFM3007B	Prepare and apply decorative surfaces for furniture	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFFM3020B	Set up, operate and maintain sawing machines	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFFM3023B	Set up, operate and maintain planing and finishing machines	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFFM3033B	Construct jigs and fixtures	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFGN2002A	Move and store materials and products	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFSF2001B	Cut single layer fabrics	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFSF2002B	Machine sew materials	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFSF2003B	Machine sew using specific techniques	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFSF2004B	Hand sew soft furnishings	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFSF2005B	Operate a steam press	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFSF2007B	Construct unlined curtains_drapes	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFSF2008B	Construct lined curtains_drapes	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFSF2009B	Construct padded pelmets	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFSF2010B	Make up tracks for window coverings	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFSF2011B	Fit and adjust curtain hardware	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFSF2013B	Dress windows	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFSF2014B	Use soft furnishing sector hand and power tools	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFSF3003B	Follow patterns to produce window toppings	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFSF3004B	Construct roman style blinds	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFSF3007B	Lay out patterns and cut fabrics	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFSF3010B	Manufacture bed linen and table cloths	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFSF3013B	Follow patterns to produce soft furnishing accessories	09 BUILDING CONSTRUCTION	12%	11.34	10.13

J High cost units of competency

National ID	UoC Name	Industry	Premium \$/hr for high over standard UoCs	\$ /hour for cost UoCs	\$ /hour for standard UoCs
TDTD397B	Handle dangerous and hazardous goods	09 BUILDING CONSTRUCTION	12%	11.34	10.13
<b>MANUFACTURING ENGINEERING AND TECHNOLOGY</b>					
<b>Saw Doctoring</b>					
FPICOR3201A	Implement safety, health and environment policies and procedures	18 PRIMARY INDUSTRY	20%	6.87	5.73
FPICOT2204B	Maintain chainsaws	18 PRIMARY INDUSTRY	20%	6.87	5.73
FPICOT3201A	Hand sharpen knives and blades	18 PRIMARY INDUSTRY	20%	6.87	5.73
FPICOT3204A	Prepare and interpret sketches and drawings	18 PRIMARY INDUSTRY	20%	6.87	5.73
FPICOT3210A	Sharpen cutting tools	18 PRIMARY INDUSTRY	20%	6.87	5.73
FPICOT3211A	Maintain sawdoctoring tools	18 PRIMARY INDUSTRY	20%	6.87	5.73
FPICOT3212A	Replace saws, blades and guides	18 PRIMARY INDUSTRY	20%	6.87	5.73
FPICOT3213A	Manufacture cutting tools	18 PRIMARY INDUSTRY	20%	6.87	5.73
FPICOT3215A	Swage and shape saw blades	18 PRIMARY INDUSTRY	20%	6.87	5.73
FPICOT3216A	Assess and maintain saw performance	18 PRIMARY INDUSTRY	20%	6.87	5.73
FPICOT3217A	Assess and maintain cutter performance	18 PRIMARY INDUSTRY	20%	6.87	5.73
FPICOT3233A	Sharpen and align blades and knives	18 PRIMARY INDUSTRY	20%	6.87	5.73
FPICOT3237A	Produce templates	18 PRIMARY INDUSTRY	20%	6.87	5.73
FPICOT3247A	Select timber for forestry operations	18 PRIMARY INDUSTRY	20%	6.87	5.73
FPISAW3207A	Sharpen band saws	18 PRIMARY INDUSTRY	20%	6.87	5.73
FPISAW3208A	Sharpen circular saws	18 PRIMARY INDUSTRY	20%	6.87	5.73
FPISAW3209A	Align sawing production systems	18 PRIMARY INDUSTRY	20%	6.87	5.73
FPISAW3210A	File and set saws	18 PRIMARY INDUSTRY	20%	6.87	5.73
FPISAW3211A	Recondition guides	18 PRIMARY INDUSTRY	20%	6.87	5.73
FPISAW3212A	Sharpen tipped circular saws	18 PRIMARY INDUSTRY	20%	6.87	5.73
FPISAW3213A	Level and tension circular saws	18 PRIMARY INDUSTRY	20%	6.87	5.73
FPISAW3214A	Join band saw blades	18 PRIMARY INDUSTRY	20%	6.87	5.73
FPISAW3217A	Hard face saw teeth	18 PRIMARY INDUSTRY	20%	6.87	5.73

J High cost units of competency

National ID	UoC Name	Industry	Premium \$/hr for high over standard UoCs	\$/hr for high cost UoCs	\$ /hour for standard UoCs
FPISAW3218A	Replace tungsten tips	18 PRIMARY INDUSTRY	20%	6.87	5.73
FPISAW3219A	Replace stellite tips	18 PRIMARY INDUSTRY	20%	6.87	5.73
FPISAW3220A	Maintain wide band saw blades	18 PRIMARY INDUSTRY	20%	6.87	5.73
FPISAW3221A	Profile saw blanks	18 PRIMARY INDUSTRY	20%	6.87	5.73
FPISAW3222A	Recondition band mill wheels	18 PRIMARY INDUSTRY	20%	6.87	5.73
FPISAW3225A	Maintain frame saw blades	18 PRIMARY INDUSTRY	20%	6.87	5.73
FPISAW3228A	Apply principles of blade design to sawing procedures	18 PRIMARY INDUSTRY	20%	6.87	5.73
MEM05004C	Perform routine oxy acetylene welding	20 MECHANICAL TECHNOLOGY	10%	9.45	8.56
MEM05006B	Perform brazing and/or silver soldering	20 MECHANICAL TECHNOLOGY	10%	9.45	8.56
MEM05049B	Perform routine gas tungsten arc welding	20 MECHANICAL TECHNOLOGY	10%	9.45	8.56
MEM05050B	Perform routine gas metal arc welding	20 MECHANICAL TECHNOLOGY	10%	9.45	8.56
<b>Wood machining</b>					
FPICOR2201A	Work effectively in the forest and forest products industry	18 PRIMARY INDUSTRY	0%	5.73	5.73
FPICOR2202A	Communicate and interact effectively in the workplace	18 PRIMARY INDUSTRY	0%	5.73	5.73
FPICOR3201A	Implement safety, health and environment policies and procedures	18 PRIMARY INDUSTRY	0%	5.73	5.73
FPICOT2207A	Dress boards and timber	18 PRIMARY INDUSTRY	20%	6.87	5.73
FPICOT2208A	Resaw boards and timber	18 PRIMARY INDUSTRY	20%	6.87	5.73
FPICOT2219A	Use hand-held tools	18 PRIMARY INDUSTRY	20%	6.87	5.73
FPICOT2232A	Cut material to shape using a saw	18 PRIMARY INDUSTRY	20%	6.87	5.73
FPICOT3204A	Prepare and interpret sketches and drawings	18 PRIMARY INDUSTRY	20%	6.87	5.73
FPICOT3247A	Select timber for forestry operations	18 PRIMARY INDUSTRY	20%	6.87	5.73
FPISAW3208A	Sharpen circular saws	18 PRIMARY INDUSTRY	20%	6.87	5.73
FPISAW3228A	Apply principles of blade design to sawing procedures	18 PRIMARY INDUSTRY	20%	6.87	5.73
FPITMM2202A	Machine material	18 PRIMARY INDUSTRY	20%	6.87	5.73
FPICOT3201A	Hand sharpen knives and blades	18 PRIMARY INDUSTRY	20%	6.87	5.73
FPICOT3210A	Sharpen cutting tools	18 PRIMARY INDUSTRY	20%	6.87	5.73

J High cost units of competency

National ID	UoC Name	Industry	Premium \$/hr for high over standard UoCs	\$/hr for high cost UoCs	\$ /hour for standard UoCs
FPICOT3213A	Manufacture cutting tools	18 PRIMARY INDUSTRY	20%	6.87	5.73
FPICOT3214A	Take off material quantities	18 PRIMARY INDUSTRY	20%	6.87	5.73
FPICOT3217A	Assess and maintain cutter performance	18 PRIMARY INDUSTRY	20%	6.87	5.73
FPICOT3237A	Produce templates	18 PRIMARY INDUSTRY	20%	6.87	5.73
FPICOT3244A	Cut material to profile	18 PRIMARY INDUSTRY	20%	6.87	5.73
FPITMM3202A	Manufacture using joinery machines	18 PRIMARY INDUSTRY	20%	6.87	5.73
FPICOR3202A	Conduct quality and product care procedures	18 PRIMARY INDUSTRY	20%	6.87	5.73
FPICOT2224A	Band edges of panels	18 PRIMARY INDUSTRY	20%	6.87	5.73
FPICOT3205A	Dress boards using multi-headed machines	18 PRIMARY INDUSTRY	20%	6.87	5.73
FPICOT3212A	Replace saws, blades and guides	18 PRIMARY INDUSTRY	20%	6.87	5.73
FPICOT3217A	Assess and maintain cutter performance	18 PRIMARY INDUSTRY	20%	6.87	5.73
FPICOT3234A	Cut material using CNC sizing machines	18 PRIMARY INDUSTRY	20%	6.87	5.73
FPICOT3235A	Machine material using CNC machining and processing centres	18 PRIMARY INDUSTRY	20%	6.87	5.73
BSBFLM312A	Contribute to team effectiveness	12 BUSINESS SERVICES	0%	5.14	5.14
LMFCR0001B	Follow safe working policies and practices	09 BUILDING CONSTRUCTION	2%	10.31	10.13
LMFCR0002B	Communicate in the workplace	09 BUILDING CONSTRUCTION	2%	10.31	10.13
LMFCR0003B	Carry out measurements and calculations	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFCR0004B	Work effectively with others	09 BUILDING CONSTRUCTION	2%	10.31	10.13
LMFFM2001B	Use furniture making sector hand and power tools	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFFM2006B	Hand make timber joints	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFFM2010B	Set up, operate and maintain basic static machines	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFFM2011B	Apply manufactured board conversion techniques	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFFM3012B	Prepare cutting list from plans and job specifications	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFFM3020B	Set up, operate and maintain sawing machines	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFFM3023B	Set up, operate and maintain planing and finishing machines	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFGN3001B	Read and interpret work documents	09 BUILDING CONSTRUCTION	2%	10.31	10.13

High cost units of competency

National ID	UoC Name	Industry	Premium \$/hr for high over standard UoCs	\$/hr for high cost UoCs	\$ /hour for standard UoCs
LMFFM2002B	Assemble furnishing components	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFFM3011B	Produce manual and computer-aided production drawings	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFFM3021B	Set up, operate and maintain drilling machines	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFFM3022B	Set up, operate and maintain joining machines	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFFM3025B	Set up, operate and maintain routing and shaping machines	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFFM3032B	Produce and maintain cutting tools	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFFM3033B	Construct jigs and fixtures	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFGN3002B	Estimate and cost job	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFFF2004A	Prepare surfaces for finishing	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFFM3024A	Set up, operate and maintain multi-head planing and moulding machines	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFFM3026A	Set up, operate and maintain mechanical wood turning lathes	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFFM3027A	Set up, operate and maintain automated edge banding machines	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFFM3030A	Set up and operate Computer Numerically Controlled sizing machines	09 BUILDING CONSTRUCTION	12%	11.34	10.13
LMFFM3031A	Set up, operate and maintain CNC machining and processing centres	09 BUILDING CONSTRUCTION	12%	11.34	10.13
TDTD397B	Handle dangerous and hazardous goods	09 BUILDING CONSTRUCTION	12%	11.34	10.13
<b>COOKERY SERVICES</b>					
HLTFS302B	Prepare foods suitable for a range of food service settings	22 HOSPITALITY SERVICES	28%	10.11	7.93
SITHASC001A	Use basic Asian methods of cookery	22 HOSPITALITY SERVICES	28%	10.11	7.93
SITHASC002A	Produce appetisers and snacks for Asian cuisines	22 HOSPITALITY SERVICES	28%	10.11	7.93
SITHASC003A	Prepare stocks and soups for Asian cuisines	22 HOSPITALITY SERVICES	28%	10.11	7.93
SITHASC004A	Prepare sauces, dips and accompaniments for Asian cuisines	22 HOSPITALITY SERVICES	28%	10.11	7.93
SITHASC005A	Prepare salads for Asian cuisines	22 HOSPITALITY SERVICES	28%	10.11	7.93
SITHASC006A	Prepare rice and noodles for Asian cuisines	22 HOSPITALITY SERVICES	28%	10.11	7.93
SITHASC007A	Prepare meat, poultry, seafood and vegetables for Asian cuisines	22 HOSPITALITY SERVICES	28%	10.11	7.93
SITHASC008A	Prepare desserts for Asian cuisines	22 HOSPITALITY SERVICES	28%	10.11	7.93
SITHASC009A	Prepare curry paste and powder for Asian cuisines	22 HOSPITALITY SERVICES	28%	10.11	7.93

J High cost units of competency



National ID	UoC Name	Industry	Premium \$/hr for high over standard UoCs	\$/hr for high cost UoCs	\$ /hour for standard UoCs
SITHASC010A	Prepare satay for Asian cuisines	22 HOSPITALITY SERVICES	28%	10.11	7.93
SITHASC027A	Prepare, cook and serve Asian food for food service	22 HOSPITALITY SERVICES	28%	10.11	7.93
SITHASC028A	Prepare, cook and serve Asian food for menus	22 HOSPITALITY SERVICES	28%	10.11	7.93
SITHCCC006A	Prepare appetisers and salads	22 HOSPITALITY SERVICES	28%	10.11	7.93
SITHCCC008A	Prepare stocks, sauces and soups	22 HOSPITALITY SERVICES	28%	10.11	7.93
SITHCCC009A	Prepare vegetables, fruit, eggs and farinaceous dishes	22 HOSPITALITY SERVICES	28%	10.11	7.93
SITHCCC010A	Select, prepare and cook poultry	22 HOSPITALITY SERVICES	28%	10.11	7.93
SITHCCC011A	Select, prepare and cook seafood	22 HOSPITALITY SERVICES	28%	10.11	7.93
SITHCCC012A	Select, prepare and cook meat	22 HOSPITALITY SERVICES	28%	10.11	7.93
SITHCCC013A	Prepare hot and cold desserts	22 HOSPITALITY SERVICES	28%	10.11	7.93
SITHCCC015A	Plan and prepare food for buffets	22 HOSPITALITY SERVICES	28%	10.11	7.93
SITHCCC018A	Prepare pates and terrines	22 HOSPITALITY SERVICES	28%	10.11	7.93
SITHCCC019A	Plan, prepare and display a buffet	22 HOSPITALITY SERVICES	28%	10.11	7.93
SITHCCC023A	Select, prepare and serve specialised food items	22 HOSPITALITY SERVICES	28%	10.11	7.93
SITHCCC024A	Select, prepare and serve specialised cuisines	22 HOSPITALITY SERVICES	28%	10.11	7.93
SITHCCC027A	Prepare, cook and serve food for food service	22 HOSPITALITY SERVICES	28%	10.11	7.93
SITHCCC028A	Prepare, cook and serve food for menus	22 HOSPITALITY SERVICES	28%	10.11	7.93
SITHCCC032A	Apply cook chill production processes	22 HOSPITALITY SERVICES	28%	10.11	7.93
SITHCCC034A	Apply cookfreeze production processes	22 HOSPITALITY SERVICES	28%	10.11	7.93
SITHPAT008A	Prepare and model marzipan	22 HOSPITALITY SERVICES	28%	10.11	7.93
THHADCC06B	Prepare chocolate and chocolate confectionery	22 HOSPITALITY SERVICES	28%	10.11	7.93
THHBCC01B	Use basic methods of cookery	22 HOSPITALITY SERVICES	28%	10.11	7.93
THHBCC02B	Prepare appetisers and salads	22 HOSPITALITY SERVICES	28%	10.11	7.93
THHBKA02B	Present food	22 HOSPITALITY SERVICES	28%	10.11	7.93
THHBKA04B	Clean and maintain kitchen premises	22 HOSPITALITY SERVICES	28%	10.11	7.93

J High cost units of competency

National ID	UoC Name	Industry	Premium \$/hr for high over standard UoCs	cost UoCs	\$ /hour for standard UoCs	J High cost units of competency
<b>AEROSPACE ENGINEERING</b>						
MEA201B	Remove and install miscellaneous aircraft electrical hardware_components	23 TRANSPORT	12%	9.85	8.81	
MEA203C	Remove and install advanced aircraft electrical system components	23 TRANSPORT	12%	9.85	8.81	
MEA205C	Remove and install advanced aircraft instrument system components	23 TRANSPORT	12%	9.85	8.81	
MEA206C	Remove and install aircraft basic radio communication and navigation system components	23 TRANSPORT	12%	9.85	8.81	
MEA207B	Remove and install aircraft electronic system components	23 TRANSPORT	12%	9.85	8.81	
MEA208C	Remove and install aircraft pressurisation control system components	23 TRANSPORT	12%	9.85	8.81	
MEA209C	Remove and install aircraft oxygen system components	23 TRANSPORT	12%	9.85	8.81	
MEA211C	Inspect, test and troubleshoot advanced aircraft electrical systems and components	23 TRANSPORT	12%	9.85	8.81	
MEA213C	Inspect, test and troubleshoot advanced aircraft instrument systems	23 TRANSPORT	12%	9.85	8.81	
MEA214C	Inspect, test and troubleshoot aircraft basic communication and radio navigation systems and compone	23 TRANSPORT	12%	9.85	8.81	
MEA215C	Inspect, test and troubleshoot advanced aircraft communications systems and components	23 TRANSPORT	12%	9.85	8.81	
MEA216C	Inspect, test and troubleshoot instrument landing systems and components	23 TRANSPORT	12%	9.85	8.81	
MEA217C	Inspect, test and troubleshoot fixed wing autopilot systems and components	23 TRANSPORT	12%	9.85	8.81	
MEA219B	Inspect, test and troubleshoot aircraft pressurisation control systems and components	23 TRANSPORT	12%	9.85	8.81	
MEA220B	Inspect, test and troubleshoot aircraft primary radar systems and components	23 TRANSPORT	12%	9.85	8.81	
MEA221C	Inspect, test and troubleshoot aircraft secondary radar systems and components	23 TRANSPORT	12%	9.85	8.81	
MEA222C	Inspect, test and troubleshoot aircraft oxygen systems and components	23 TRANSPORT	12%	9.85	8.81	
MEA223C	Inspect aircraft electrical systems and components	23 TRANSPORT	12%	9.85	8.81	
MEA224B	Inspect aircraft instrument systems and components	23 TRANSPORT	12%	9.85	8.81	
MEA225B	Inspect fixed wing aircraft automatic flight control systems and components	23 TRANSPORT	12%	9.85	8.81	
MEA226C	Inspect aircraft electronic systems and components	23 TRANSPORT	12%	9.85	8.81	
MEA227C	Test and troubleshoot aircraft electrical systems and components	23 TRANSPORT	12%	9.85	8.81	
MEA228C	Test and troubleshoot aircraft instrument systems and components	23 TRANSPORT	12%	9.85	8.81	

National ID	UoC Name	Industry	Premium \$/hr for high over standard UoCs	\$/hr for cost UoCs	\$ /hour for standard UoCs
MEA229C	Test and troubleshoot aircraft radio frequency navigation and communications systems and components	23 TRANSPORT	12%	9.85	8.81
MEA230B	Test and troubleshoot fixed wing aircraft automatic flight control systems and components	23 TRANSPORT	12%	9.85	8.81
MEA231B	Inspect, test and troubleshoot rotary wing aircraft automatic flight control systems and components	23 TRANSPORT	12%	9.85	8.81
MEA232B	Test and troubleshoot aircraft pulse systems and components	23 TRANSPORT	12%	9.85	8.81
MEA233B	Inspect, test and troubleshoot inertial navigation and reference systems and components	23 TRANSPORT	12%	9.85	8.81
MEA235B	Perform advanced troubleshooting in aircraft avionic maintenance	23 TRANSPORT	12%	9.85	8.81
MEA241B	Perform aircraft weight and balance calculations as a result of modifications	23 TRANSPORT	12%	9.85	8.81
MEA246B	Fabricate and/or repair aircraft electrical hardware or parts	23 TRANSPORT	12%	9.85	8.81
MEA260B	Use electrical test equipment	23 TRANSPORT	12%	9.85	8.81
MEA301C	Perform aircraft flight servicing	23 TRANSPORT	12%	9.85	8.81
MEA302C	Remove and install aircraft hydro-mechanical and landing gear system components	23 TRANSPORT	12%	9.85	8.81
MEA303C	Remove and install aircraft pneumatic system components	23 TRANSPORT	12%	9.85	8.81
MEA304C	Remove and install non-pressurised aircraft structural and non-structural components	23 TRANSPORT	12%	9.85	8.81
MEA305C	Remove and install aircraft fixed wing flight control system components	23 TRANSPORT	12%	9.85	8.81
MEA306C	Remove and install engines and engine system components	23 TRANSPORT	12%	9.85	8.81
MEA307C	Remove and install propeller systems and components	23 TRANSPORT	12%	9.85	8.81
MEA308C	Remove and install rotary wing rotor and flight control system components	23 TRANSPORT	12%	9.85	8.81
MEA309B	Inspect, test and troubleshoot aircraft hydro-mechanical and landing gear systems and components	23 TRANSPORT	12%	9.85	8.81
MEA311B	Inspect and repair/modify aircraft structures	23 TRANSPORT	12%	9.85	8.81
MEA312C	Inspect, test and troubleshoot aircraft fixed wing flight control systems and components	23 TRANSPORT	12%	9.85	8.81
MEA313B	Inspect, test and troubleshoot piston engine systems and components	23 TRANSPORT	12%	9.85	8.81
MEA314C	Inspect, test and troubleshoot gas turbine engine systems and components	23 TRANSPORT	12%	9.85	8.81

J High cost units of competency

National ID	UoC Name	Industry	Premium \$/hr for high over standard UoCs	cost UoCs	\$ /hour for standard UoCs	J High cost units of competency
MEA315C	Inspect, test and troubleshoot propeller systems and components	23 TRANSPORT	12%	9.85	8.81	
MEA316C	Inspect, test and troubleshoot rotary wing rotor and control systems and components	23 TRANSPORT	12%	9.85	8.81	
MEA317C	Remove and install pressurised aircraft structural and non-structural components	23 TRANSPORT	12%	9.85	8.81	
MEA318B	Inspect aircraft hydro-mechanical, mechanical, gaseous and landing gear systems and components	23 TRANSPORT	12%	9.85	8.81	
MEA319B	Inspect gas turbine engine systems and components	23 TRANSPORT	12%	9.85	8.81	
MEA320B	Test and troubleshoot aircraft hydro-mechanical, mechanical, gaseous and landing gear systems and co	23 TRANSPORT	12%	9.85	8.81	
MEA321B	Test and troubleshoot aircraft fixed wing flight control systems and components	23 TRANSPORT	12%	9.85	8.81	
MEA322B	Test and troubleshoot gas turbine engine systems and components	23 TRANSPORT	12%	9.85	8.81	
MEA327B	Fabricate and_or repair aircraft mechanical components or parts	23 TRANSPORT	12%	9.85	8.81	
MEA328C	Maintain and_or repair aircraft mechanical components or parts	23 TRANSPORT	12%	9.85	8.81	
MEA334B	Repair and/or overhaul aircraft hydro-mechanical systems and components	23 TRANSPORT	12%	9.85	8.81	
MEA335B	Repair and/or overhaul aircraft gas turbine engine components and/or modules	23 TRANSPORT	12%	9.85	8.81	
MEA339A	Inspect, repair and maintain aircraft structures	23 TRANSPORT	12%	9.85	8.81	
MEA343A	Remove and install avionics system components	23 TRANSPORT	12%	9.85	8.81	
MEA401B	Inspect aircraft structures	23 TRANSPORT	12%	9.85	8.81	
MEA402B	Fabricate aircraft structural components	23 TRANSPORT	12%	9.85	8.81	
MEA403B	Repair_modify aircraft structure	23 TRANSPORT	12%	9.85	8.81	
MEA404B	Disassemble and reassemble aircraft structure for major repair or modification	23 TRANSPORT	12%	9.85	8.81	
MEA405B	Repair_modify aircraft composite material structure_components	23 TRANSPORT	12%	9.85	8.81	
MEA410B	Maintain aircraft structure_components	23 TRANSPORT	12%	9.85	8.81	
<b>MEDIA - film and TV UoCs</b>						
CUFPOS402A	Manage media assets	06 MEDIA	33%	8.88	6.68	
CUETEM08B	Realise productions	06 MEDIA	33%	8.88	6.68	
CUFCAM401A	Shoot a wide range of television content	06 MEDIA	33%	8.88	6.68	

National ID	UoC Name	Industry	Premium \$/hr for high over standard UoCs	\$/hr for high cost UoCs	\$ /hour for standard UoCs
CUFCAM402A	Shoot television content in multi-camera environment	06 MEDIA	33%	8.88	6.68
CUFPPM408A	Compile production schedules	06 MEDIA	33%	8.88	6.68
CUFBRD401A	Coordinate television transmission operations	06 MEDIA	33%	8.88	6.68
CUFLGT402A	Set up, record and operate lighting cues and effects	06 MEDIA	33%	8.88	6.68
CUFPPM301A	Plan and prepare programs	06 MEDIA	33%	8.88	6.68
<b>COMMUNITY SERVICES - aged care</b>					
CHCAC317A	Support older people to maintain their independence	13 COMMUNITY SERVICES	33%	6.39	4.81
CHCAC318A	Work effectively with older people	13 COMMUNITY SERVICES	33%	6.39	4.81
CHCAC319A	Provide support to people living with dementia	13 COMMUNITY SERVICES	33%	6.39	4.81
CHCOHS312A	Follow safety procedures for direct care work	13 COMMUNITY SERVICES	33%	6.39	4.81
CHCCS411A	Work effectively in the community sector	13 COMMUNITY SERVICES	33%	6.39	4.81
CHCICS301A	Provide support to meet personal care needs	13 COMMUNITY SERVICES	33%	6.39	4.81
CHCICS302A	Participate in the implementation of individualised plans	13 COMMUNITY SERVICES	33%	6.39	4.81
CHCICS303A	Support individual health and emotional well being	13 COMMUNITY SERVICES	33%	6.39	4.81
CHCPA301B	Deliver care services using a palliative approach	13 COMMUNITY SERVICES	33%	6.39	4.81

## K Government assistance for apprentices and trainees

### K.1 Financial and other assistance available to employers

The NSW Government provides:

- ▼ employers with payroll tax rebates for new entrant trainees and apprentices
- ▼ workers compensation insurance premium exemptions for employers of apprentices.<sup>216</sup>

The Australian Government provides:

- ▼ Financial incentives – paid at various points of the training contract (ie, commencement, re-commencement and completion).
- ▼ Additional incentives for employing apprentices and trainees who are:
  - working in skills shortage industries
  - in non-metropolitan or ‘drought declared’ regional and rural areas
  - mature-aged apprentices and trainees, or
  - school-based apprentices or trainees.
- ▼ Disability incentives – for employers of apprentices and trainees with a disability. Assistance includes Disabled Australian Apprentice Wage Support (DAAWS), workplace modifications, tutorial assistance and mentor/interpreter assistance.<sup>217</sup>

Note: The employer of an existing worker trainee may be eligible for Australian Government financial incentives but is not entitled to NSW Government subsidies and rebates.<sup>218</sup>

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<sup>216</sup> NSW Government – Incentives for apprentices, trainees and their employers [https://www.training.nsw.gov.au/aacs/advice\\_instructions/govt\\_incentives.html](https://www.training.nsw.gov.au/aacs/advice_instructions/govt_incentives.html) Accessed 19 June 2013.

<sup>217</sup> Australian Government Australian Apprenticeships Incentives Program website <http://www.australianapprenticeships.gov.au/program/overview-australian-government-australian-apprenticeships-incentives-program>. Accessed 19 June 2013.

<sup>218</sup> NSW Government, State Training Services, A Guide To Apprenticeships and Traineeships in NSW.

## K.2 Financial assistance available to apprentices and trainees<sup>219</sup>

The NSW Government provides:

- ▼ Payments under the Vocational Training Assistance Scheme (VTAS) to apprentices and new entrant trainees who need to travel more than 120km (round trip) to attend day or block release training with an RTO. Assistance is in the form of an accommodation payment per day and a travel payment per kilometre that applies to both public and private means of transport.
- ▼ Public transport concessions for travel on NSW Government buses, ferries and trains for new entrant trainees and for 1st, 2nd and 3rd year apprentices.
- ▼ A \$100 rebate on the cost of car registration for first and second year apprentices.
- ▼ NSW Country Apprentice Scholarships is a NSW scholarship program for apprentices in country NSW who are facing hardship.

The Australian Government provides:

- ▼ support for adult apprentices (25 or older) undertaking a Cert III or IV qualification leading to an occupation on the National Skills Needs List.
- ▼ Living Away From Home Allowance (LAFHA) for first, second and third year trainees and apprentices who need to live away from home for employment purposes
- ▼ Tools for Your Trade allowance for apprentices and trainees undertaking a Cert III or IV qualification leading to an occupation on the National Skills Needs List.

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<sup>219</sup> Ibid.

**Table K.1 Australian Apprenticeships Incentives Program Summary**

Employer Incentives (paid to the employer)	<i>Certificate II</i>	<i>Certificate III/IV</i>	<i>Diploma / Advanced Diploma</i>
<b>Commencement Incentive</b>			
<b>'New worker'</b> Australian Apprentices <sup>a</sup>	\$1,250 (nominated equity groups only)*	\$1,500	\$1,500 <sup>b</sup>
<b>'Existing worker'</b> <sup>c</sup>	Nil	\$1,500	Nil
<b>Recommencement Incentive</b>			
<b>'New worker'</b> <sup>a</sup>	Nil	\$750	\$750 <sup>b</sup>
<b>'Existing worker'</b> <sup>c</sup>	Nil	\$750	Nil
<b>Completion Incentive</b>			
<b>'New worker'</b> <sup>a</sup>	Nil	\$2,500	\$2,500 <sup>b</sup>
<b>'Existing worker'</b> <sup>c</sup>	Nil	\$2,500	Nil
<b>'Existing worker'</b> that are undertaking an Australian Apprenticeship that <b>does not</b> lead to an occupation on the NSNL	Nil	\$3,000	\$3,000 <sup>b</sup>
<b>'Part-time'</b> Australian Apprentices <sup>d</sup>	Nil	\$1,500	Nil

**Data source:** Australian Apprenticeships Centre, [www.australianapprenticeships.gov.au](http://www.australianapprenticeships.gov.au) <Accessed 8 March 2013>.

**a** New worker is an employee of less than 3 months for full-time and 6 months for part-time employment with one employer. (As defined in State Training Services, A Guide To Apprenticeships and Traineeships in NSW. Section 16 Key Terms).

Part-time Australian Apprentices eligible where:

- qualification leads to the National Skills Needs List (at the Certificate III or IV level); or
- apprenticeship is an Australian School-based Apprenticeship, or
- leads to the Aged Care, Child Care or Enrolled Nurses sectors (at the Diploma or Advanced Diploma level).

**b** Where the qualification is in the Aged Care, Child Care, or Enrolled Nurses sectors.

**c** Australian Apprentices who are undertaking an Australian Apprenticeship that leads to an occupation on the NSNL. Including part-time Australian Apprentices.

**d** Where the apprentice does not meet the part-time eligibility criteria listed in the other completion incentive rates.



Employer Incentives (paid to the employer)	Certificate II	Certificate III/IV	Diploma / Advanced Diploma
Group Training Organisations Certificate II Completion Incentive	\$1,000 (nominated equity groups only)*	Nil	Nil
<b>Apprentice Kickstart Incentive<sup>e</sup></b> <ul style="list-style-type: none"> <li>Commencement</li> <li>Retention</li> </ul>	Nil	\$850 \$2,500	Nil
<b>Rural and Regional Skills Shortage Incentive</b>	Nil	\$1,000	Nil
<b>Declared Drought Area Incentives</b> <ul style="list-style-type: none"> <li>Commencement</li> <li>Completion</li> </ul>	\$1,500 \$1,500	Nil	Nil
<b>Mature Aged Workers Incentives (45 and over)</b> <ul style="list-style-type: none"> <li>Commencement</li> <li>Completion</li> </ul>	\$750 \$750		
<b>Australian School-based Apprenticeship Incentives</b> <ul style="list-style-type: none"> <li>Commencement</li> <li>Retention</li> </ul>	\$750 \$750		
<b>Assistance for Australian Apprentices with Disability</b>	\$104.30 per week <sup>f</sup> Disabled Australian Apprentice Wage Support		
<b>Off-the-job Tutorial, Mentor and Interpreter Assistance</b>	\$38.50 per hour (up to \$5,500 per year) <sup>f</sup> Incentive paid to Registered Training Organisation		

<sup>e</sup> For commencements between 1/12/2012 and 30/04/2013 (inclusive) where the qualification leads to a Building or Construction occupation on the NSNL.

<sup>f</sup> Part-Time paid at a proportion of the full-time rate

\* For the purpose of the Program nominated equity groups are:

- Indigenous Australians;
- Australian Apprentices with disability;
- School-based Australian Apprentices;
- Mature aged Australian Apprentices (aged 45 and over);
- Australian Apprentices working in a rural or regional area; and
- Job seekers with severe barriers to employment.

<b>Personal Benefits (paid to the Australian Apprentice)</b>	<b>Certificate II</b>	<b>Certificate III/IV</b>	<b>Diploma / Advanced Diploma</b>
<b>Tools For Your Trade payments</b> (full-time / part-time) milestones - <ul style="list-style-type: none"> <li>3 month / 3 month:</li> <li>12 month / 24 month:</li> <li>24 Month / 48 month:</li> <li>36 Months / 72 month:</li> <li>On successful completion:</li> </ul>	Eligible Certificate II Agriculture or Horticulture qualifications may be eligible for payments	\$800 \$1,000 \$1,000 \$1,200 \$1,500  Certificate III or IV level and leads to an occupation on NSNL.	Nil
<b>Living Away From Home Allowance</b> <ul style="list-style-type: none"> <li><b>First year rate:</b></li> <li><b>Second year rate:</b></li> <li><b>Third year rate:</b></li> </ul>	\$77.17 per week \$38.59 per week \$25.00 per week		
<b>Employer Incentive OR Personal Benefit (depending on the wage paid)<sup>g</sup></b>	<b>Certificate II</b>	<b>Certificate III/IV</b>	<b>Diploma / Advanced Diploma</b>
<b>Support for Adult Australian Apprentices (25 and over) – Australian Apprentice payments</b> <ul style="list-style-type: none"> <li>First year full-time / first two years part-time:</li> <li>Second year full-time / second two years part-time:</li> </ul>	Nil	\$150 / \$75 per week, up to \$7,800  \$100 / \$50 per week up to \$5,200	Nil
<b>Employer payment</b>	Nil	\$4,000	Nil

<sup>g</sup> Employer Incentive or Personal Benefit available where the Australian Apprenticeship is at the Certificate III or IV level and leads to an occupation on the National Skills Needs List (NSNL).