



Bannister Technical

The Chairman
Pricing VET under Smart and Skilled
Independent Pricing and Regulatory Tribunal
PO Box Q290
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2 May, 2013

PRICING VET UNDER SMART AND SKILLED OTHER – ISSUES PAPER APRIL 2013

SUBMISSION

Bannister Technical Pty Ltd makes this submission as per the invitation contained in the Issues Paper.

IPART is undoubtedly aware that there are many stakeholders in the NSW VET sector and, as such, there are many different perspectives.

Our submission is from the perspective of a nationally recognised RTO.

I feel that it is important that we outline our place in the VET sector so that IPART can appropriately evaluate our responses.

ABOUT BANNISTER TECHNICAL

Bannister Technical is a NSW based Registered Training Organisation (RTO) with over 12 years practical experience in the VET sector.

The Company was founded in 2001 with one enterprise customer in NSW.

Bannister now provides accredited training in all Australian States. While Bannisters scope of registration (qualifications) has grown over time, our primary target market has remained constant.

We offer accredited training, mainly at the Certificate III level, to industries with a high number of employees (existing workers and new entrants) at the “operator” or “process worker” level.

In most instances, people in these roles are considered “unskilled”.

Our business proposition is that with an appropriate level of training, these people can significantly impact the productivity levels of Australian manufacturing and service provision industries.

We provide training and assessment services to the following industry sectors in NSW –

- Food processing and manufacturing
- Health support services – aged care and community care
- General manufacturing
- Underground Coal Mining

Our client base is predominately businesses in these sectors that are interested in recognising existing skills within their workforce, up-skilling and sustaining their business through workforce development.

We are primarily a “fee for service” business. However we encourage our clients to minimise their training costs by maximising the various funding opportunities available – whether they be offered by the Commonwealth or State Governments.

As a RTO with national recognition, we have clients in all States. As such, over the last decade, we have been exposed to the various funding options offered (and regularly changed) by the State governments.

The Commonwealth Apprenticeship and Traineeship incentive program has remained reasonably static over this time – up until recent funding changes in the Federal Budget that reduced the traineeship payment to employers for existing workers by \$1000.

The impact of this reduction in employer funding is still resonating through the industry.

Operating a successful RTO is a very competitive business.

We knock on doors, cold call and use all available networks to promote our business. We position ourselves as “training is our core business”. As such, we have to be experts on government funding.

We have positioned Bannister as a provider of integrity, with an understanding of business requirements and desired outcomes. We have the personnel to deliver and the capacity to understand and recommend the best available funding models to enable our business clients to invest in training.

Our marketing investment dollar is intrinsically linked with the State. We cannot promote our business without actively promoting the various State incentive programs. There is no direct compensation to our business for promoting the State funding initiatives. This is something that we accept, adapt to and incorporate in our business strategy.

We feel that it is important that IPART is aware that RTO's recruit the majority of trainees into the various State and Commonwealth programs.

It is our experience that, despite the best efforts of government agencies responsible for allocating funding, business in general remains at large unaware of what funding programs are available and how to go about accessing those programs.

We have an exceptionally high training completion rate and believe that our understanding of business outcomes, flexible training options, partnership with business and understanding of the training funding options defines our core business.

A particular difficulty in our business is the inherent suspicion by the general business community of private RTO's. This has been created by some RTO operators in the past that have taken advantage of funding initiatives without delivering the expected outcomes.

We endorse the rigor of the ASQA regime to accredit RTO's. Accordingly, we endorse a rigorous approach to approving RTO's to deliver NSW State based funded training. We welcome an approval process based upon performance, financial capability and an outcome driven approach.

Over the last decade, in addition to the Commonwealth Apprenticeship and Traineeship incentive, we have been involved in the following State funding initiatives –

- **Queensland** – User Choice
- **Tasmania** – User Choice
- **Western Australia** – User Choice
- **South Australia** – User Choice, Productivity Places Program (PPP), Skills for All, Skills in the Workplace
- **Victoria** – User Choice, Skills Training Guarantee
- **NSW** – User Choice (APL), Strategic Skills Program (SSP), Vouchers, Productivity Places Program (PPP)
- **Industry Skills Council (Agrifoods)** – Enterprise Based Productivity Places Program (EBPPP), National Workforce Development Fund (NWDF)

As such, I believe that we have the experience and credentials to make an informed contribution to the IPART consideration of the most effective NSW funding model.

While it is not part of the IPART review, I would also take this opportunity to highlight the fact that many RTO's do business on a national basis. Good, sustainable RTO's play an important role in delivering the various State programs.

Apart from delivering training and assessment and issuing qualifications through the various programs, RTO's are themselves businesses that employ people, pay taxes and generally contribute to the community, economy and country as a whole.

Like any business, RTO's make three and five year business plans. The degree of difficulty in establishing our business strategy across six different State funding models is a complex task. This is compounded by continuous changes to these programs. In order to run our business, which is basically delivering nationally recognised qualifications, we need to invest in internal resources to keep track of and understand the various State programs (and changes) and then adjust our business strategy accordingly.

In an ideal world (Commonwealth of Australia), there would be a single, standard model of funding across all States. From our perspective, we cannot see any specific reasons why the objectives and desired outcomes of the States necessitate six individual approaches.

I acknowledge that our contribution to the IPART review comes from the perspective of a VET service provider. I also recognise that our business intentions may be impacted by IPART decisions on pricing. However, our primary intention is to assist IPART in understanding all aspects in its considerations of pricing.

We have read the submission paper in its entirety.

We understand that the terms of reference exclude consideration of existing workers. However some of our responses have referenced existing workers as an important cohort in relation to the Government maximising its return on investment.

We will not comment on areas that we are not directly involved in. We have indicated these issues with a NO RESPONSE.

Should IPART require any further information or clarification on our input, please do not hesitate to contact me.



Peter Neave
Managing Director

ISSUES RESPONSE

1 Do you agree with our proposed approach for developing a methodology to determine prices, student fees and government subsidies for government funded VET?

RESPONSE – Yes

However the accessibility and associated processes need to be taken into consideration.

This may not be the appropriate place in the Issues paper to raise these issues however they are important when considering price structures and student contributions.

A number of years back, NSW introduced a trainee/student “voucher” system.

The Voucher system enabled those eligible to apply for a training voucher. Eligibility was based on the standard citizenship, residential and existing qualification criteria but was not governed by existing worker, jobseeker, etc status.

The voucher had a value (\$2500 at the time) that could be redeemed with any approved RTO (Including TAFE) for a full qualification.
RTO’s promoted the incentive and recruited trainees.

The RTO claimed the value of the voucher on a progressive basis and was paid a small administration fee.

The set value of the voucher (\$2500 at the time) encouraged competition between RTO's.

For qualifications costing more than the voucher amount (\$2500), the student beneficiary would pay the gap.

The system was short lived for a number of administrative (and perhaps other) reasons. However the basic principles worked.

Bottom line is that the voucher system had some very positive aspects –

- Available to all – non-discriminatory - jobseekers, new entrants, existing workers, workforce re-entry, career path change, etc
- Encouraged training and skills building
- Promoted by RTO's at minimal cost to Government
- Administered by NSW State Training Services
- Auditable and compliance checked
- Outcome driven

If not already considered, IPART should review this model and consider an updated version of this model.

Do you think this approach will lead to arrangements that ensure students and government make an appropriate contribution to the efficient costs of providing VET courses, qualifications and part qualifications?

RESPONSE - YES

2 Are our proposed assessment criteria for the review reasonable and consistent with our terms of reference?

RESPONSE - YES

3 Which of the 2 possible methods for determining a base price for courses and qualifications that reflects efficient costs do you prefer (map costs to industry groupings or map costs to Unit of Competency (UoC))?

RESPONSE - Map costs to industry groups

– Have we identified all the advantages and disadvantages of each method?

RESPONSE - Yes

– Is there another approach that we should consider to set base prices?

RESPONSE - No

4 With reference to method 1 (map costs to industry groupings – How should we deal with 'outlier' courses and qualifications, where the costs are significantly above or below the base price?

RESPONSE - The issues paper only has a single reference to "outlier" courses and qualifications and carries no interpretation of what this reference means.

Our response assumes that it means a course for which there is either a high demand or a low demand or "thin market".

Based on that assumption, high demand qualifications should be offered in a competitive environment by RTO's and TAFE's.

Low demand qualifications are best delivered by TAFE or Community College

– How should we set a base price for a part-qualification, short course or skill set?

RESPONSE - As per the current Approved Provider List (APL) and Strategic Skills Program (SSP) arrangements.

– How should the methodology take account of different modes of delivery (ie, classroom based and flexible delivery)?

RESPONSE - As per the current methodology

– How can any adverse effects arising from base prices that reflect an average cost within an industry group be addressed (eg, service quality implications)?

NO RESPONSE

5 With reference to method 2 (map costs to UoC):

– What would be the best way to group UoCs?

RESPONSE - This is an extremely difficult approach.

It is very subjective in regard to establishing the value weighting of a particular UoC.

Are UoC's weighted on the basis of importance to the overall competency, the degree of difficulty of the unit, the complexity of the unit? Who is going to value UoC's? Will that determination be subject to appeal?

Our experience with the South Australian Skills for All program (where individual units are costed and weighted) is that there are some interesting results when using the "calculator" to work out subsidies.

Some qualifications that could be considered "high value" actually attract less subsidy than those that may be considered "low value".

We acknowledge that this is subjective on our part, as we would like to consider the qualifications that we deliver "high value".

Apart from this issue, we consider the South Australian Skills for All model the most transparent of those currently in place.

– How should the methodology take account of different modes of delivery (ie, classroom based and flexible delivery)?

RESPONSE - As per current methodology

6 What student groups are more costly to train, and why?

NO RESPONSE

What additional costs are associated with providing training for these students?

NO RESPONSE

7 Regarding thin markets:

– What training markets are likely to have low levels of demand and high operating costs (these markets may be defined geographically, by occupation or demographically)?

RESPONSE – Blended delivery using a combination of on line and face to face learning should be supported as a solution to geographically challenged markets. On line learning will become more predominate as the NBN becomes available and the cost of producing on line training content diminishes.

– Should we test for a thin market by using the difference between the cost per student and the base price (plus loadings) expressed as a percentage?

NO RESPONSE

– If so, what is the appropriate threshold of cost in excess of the base price (plus loadings) do you think is appropriate?

NO RESPONSE

– What other test should we consider?

NO RESPONSE

8 How should the price and fee arrangements take account of the Government's training priorities when sharing base prices between student fees and government subsidies? Should the arrangements also consider the private and public net benefits that may be realised when a student undertakes VET?

RESPONSE – The private and public net benefits should be considered.

However weighting should be given to "establishment" courses at the Certificate III level. All courses up to and including Certificate III should be free of any participant fee.

Imposition of a fee on this group of trainees could significantly impact the take up rate.

In many operational business environments, obtaining a qualification at Certificate III level can be considered the difference between a skilled and un-skilled worker. This is particularly the case in broader manufacturing and service jobs such as operators in the Food Processing and Manufacturing Industry and General Services (kitchen, laundry, cleaning) staff in the Aged Care sector.

Providing workers in these roles with a qualification at Certificate III significantly improves the quality, productivity and sustainability of the enterprises they work for without necessarily improving the remuneration of the individual.

Existing workers, new entrants, job seekers, people in work but looking to establish a different job pathway (eg a retail assistant looking to become an Aged Care worker) and people returning to the workforce (eg a mother with school aged children looking for flexible part time work as an in home care assistant) should all be incentivised to attempt a qualification in the respective field. These people should be offered fee free access to Certificate III qualifications.

Many Certificate IV level courses are “barrier qualifications” that lead to specific job roles – eg Cert IV in TAE for Workplace Trainers and Assessors, BSB Cert IV in Financial Services for Financial Planners, RII Cert IV for Deputies in the underground coal mining industry, etc.

People gaining these qualifications contribute to overall business improvement and sustainability which in turn benefits the community and economy as a whole. They also generate more income that they would without the qualification.

It would be appropriate that people undertaking these qualifications make a reasonable contribution. A reasonable contribution would be around 5-10% of the actual cost of training.

Diploma and above should attract a higher contribution.

What alternative approach or criteria should be used to decide how the efficient costs of VET should be shared between students and taxpayers?

NO RESPONSE

9 What is the effect of the level of student fees on students’ participation in VET, eg to what extent do the current fees influence participation?

RESPONSE – see response to 8

What effect might a hypothetical doubling of fees have?

RESPONSE – see response to 8.

Doubling fees for qualifications up to and including Cert III would significantly impact on the Government objective to halve the number of Australian’s without Cert III qualifications.

10 What is the impact of any capacity to pay and/or credit constraints faced by students or prospective students?

RESPONSE – as per above

11 How could the approach to sharing base prices between student fees and government subsidy take account of any positive externalities associated with the provision of VET?

RESPONSE – as per response to 8, there are many positive externalities to improving skills in the workplace.

One recent course conducted by this RTO for 45 leading hand/supervisors in Cert III Competitive Systems yielded sustainable cost savings, waste reductions and productivity improvements valued at over \$5M for the enterprise. While this is a significant return on investment to the employer it can also be considered as providing positive externalities to the broader community, the State and Australia.

As such, it is reasonable that those that derive indirect benefits from the outcomes, contribute to the cost of training.

12 Do any other characteristics of the VET sector warrant additional government subsidy of the costs of VET provision?

NO RESPONSE

13 What is the appropriate relativity between student fees for VET and student contributions for university study?

NO RESPONSE

14 Which of these options do you think best meets the assessment criteria for this review:

– the student fee (and government subsidy) is an increasing percentage of the base price, depending on qualification level or

RESPONSE - Yes

– the student fee (and government subsidy) is the same percentage of the base price for all qualification levels areas.

RESPONSE - No

Are there any other options that better meet these criteria?

NO RESPONSE

15 What criteria do you think we should use to decide on the additional contribution that should be made by students undertaking a subsequent qualification? Could these criteria be the basis of a fee setting rule?

NO RESPONSE

16 What evidence is there on the benefits of part-qualifications? Is it appropriate to share the costs of part-qualifications between students and taxpayers in the same way as full qualifications? If not, what other approach would be appropriate?

NO RESPONSE

17 How should the current annual fee for apprentices and new entrant trainees be converted to a fee per qualification? Should a flat fee across all qualification levels be maintained for apprentices and new entrant trainees?

RESPONSE – Qualifications up to and including Certificate III (which covers most Apprentices and Trainees) should be fee free.

18 How important are concession fee arrangements (rather than the availability of concession fees themselves) for providing equitable access to VET?

NO RESPONSE

Should concession fee arrangements be aligned with fee arrangements for other students? For example:-

Should concession fees be charged per qualification rather than per annum (or time served)?

Should the level of the concession fee vary by level of qualification?

19 How should government payments to Registered Training Organisations (RTOs) for delivering entitlement and purchased training be staged over the period required to complete the qualification or part-qualification?

RESPONSE – as per current arrangements

20 How should student fee payments be staged over the period of study?

NO RESPONSE

21 Should the current payment arrangements under the Apprenticeship and Trainee Training Program (ATTP) and Strategic Skills Program (SSP) be maintained?

RESPONSE – Yes

If so, should the staged payment of student fees also match these arrangements?

NO RESPONSE

22 How often should the methodology for setting prices and fees for government-funded VET be reviewed or re-estimated to ensure that students and taxpayers both continue to contribute an appropriate share of the efficient costs of providing VET?

RESPONSE – A minimum of three years. However there should be process established whereby industry and the VET sector can make requests for variation at any time.

23 How should base prices, student fees and government subsidies be adjusted in between reviews? What is an appropriate inflator for base prices?

For student fees?

NO RESPONSE

For government subsidies?

RESPONSE - CPI

24 In the years following implementation of Smart and Skilled, would it be appropriate to set a range for the student fee, rather than a single student fee, for each qualification?

NO RESPONSE

25 Do you support relaxing fee regulation in areas of the government-funded VET market where competition is considered effective?

RESPONSE - Yes