

Friday 3 May 2013

Submission into Pricing VET under Smart and Skilled



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

I agree with:

- Understanding efficient costs providing VET to the required quality standard
- Considering industry sector and tuition hours required
- Determining most productive loadings
- Identifying thin markets
- Examining accruals of private and public benefits for mutuality
- Considering how base prices, concessions, and fees will be charged throughout a qualification
- Strategic planning re future efficient costs, and
- Investigating the lack of harmonisation between States and Territories

...however question drivers:

- Justifying additional government subsidies, and
- Drawing too much comparison between VET and university training

I question whether we're deriving sufficient benefit via the allocation of current funding? There needs to be stronger consultation and ownership around strategic industry skill development requirements, driving innovation, and enhancing private and public benefits. Can consideration be given to:

- Allocating funding towards psychometric assessment and accurate career profiling of students
- Identifying strategic industry skill shortages and growth opportunities
- Establish where short and medium term employment opportunities exist
- Match student profiles with skill shortages and employment opportunities

...this way it's hoped a larger number of VET placement's will be directed towards a strategic outplacement result, motivating students and RTO's towards completion, and driving real private and public benefits.

I manage a National Traineeship program and the lack of harmonisation across States heavily impacts on administrative effort required to stay abreast of each State's requirements including enrolment costs and funding arrangements. So I welcome this investigation.

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

Can we consider weighting Government funding towards training which has strategic and targeted outplacement outcomes? Assessment should involve government market analysis and exhaustive consultation with industry stakeholders both in skill shortage and growth vocational areas as part of their 'prediction' initiative.

Under an apprenticeship or new entrant traineeship, training fees should be funded predominantly by sponsor employers, who then attract weighted government funding. Given the desirable and expected 'public benefits', the funding pool should be weighted towards students undertaking training who are either engaged by employers in the strategic skill shortage or growth vocational areas, and / or towards training in this space promoting a stronger likelihood of outplacement.

Strategically selected training pathways should be given every opportunity to extend their scope beyond Cert IV as this will provide higher skill set, develop career paths, drive innovation, and promote additional opportunities for new entrants.

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))?
 - Have we identified all the advantages and disadvantages of each method?
 - Is there another approach that we should consider to set base prices?

I prefer Method 2 - map costs to UoC's

There should be much tighter auditing around calculating costs associated with "preparation time". Surely unless a UoC is new, preparation costs should be relatively low - leading to zero in some instances? We need to improve the quality of our training by ensuring more funds are allocated to quality face to face delivery rather than preparation work. Why not weight 'activity' costs more towards actual face to face teaching time?

I'm concerned about the shift towards a 'student demand driven' VET system. As discussed above, why can't training be 'outplacement opportunity driven'? Weighting driving less expensive enrolment fees but more support funding should align to training pertaining to vocations experiencing existing skill shortages and / or showing projected growth opportunities?

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?
 - How should we set a base price for a part-qualification, short course or skill set?
 - How should the methodology take account of different modes of delivery (i.e. classroom based and flexible delivery)?
 - How can any adverse effects arising from base prices that reflect an **average** cost within an industry group be addressed (e.g. service quality implications)?

I prefer method 2 below.

5. With reference to method 2 (map costs to UoC):
 - What would be the best way to group UoC's?
 - How should the methodology take account of different modes of delivery (i.e. classroom based and flexible delivery)?

Weighting needs to be given to classroom based training. Unless geographically challenging, face to face should drive quality outcomes for students, employers, and return on investment re 'public benefits' for the government and community. I question whether flexible delivery provides a good return on investment. Employers desire a 'step change', not an 'incremental change' in their employees' capabilities when they return from sponsored 'loss of chargeable utilisation' training.

6. What student groups are more costly to train and why? What additional costs are associated with providing training for these students?

I've managed a National Traineeship program for five (5) years. We have Trainees in QLD, NSW, SA, WA, and NT. Our RTO is Hunter TAFE NSW. All Trainees need to attend Newcastle a number of times to sit exams supervised by Hunter TAFE. We sponsor all flights, accommodation, transport, meals and examination fees, so any loading for interstate Trainees would be appreciated. A lack of RTO alternative and State harmonisation, leaves us with no option but to continue this level of investment.

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)?
- 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?
- If so, what is the appropriate threshold of cost in excess of the base price (plus loadings) do you think is appropriate?
- What other test should we consider?

Would training around strategic outplacement outcomes in skill shortage and growth vocational areas; and reduced costs mapped around UoC's in these vocations, help to alleviate thin markets?

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

It concerns me Employers seem to be overlooked here? Although Employers can take responsibility for the student fee component when training a student employee, I wonder if more Employers would be inclined to sponsor student employee training if there was an increase in industry consultation, buy-in, and ownership, identifying current skill shortage and future growth vocational areas, and an increase in targeted funding to support same, encouraging Employers to consider and realise additional outplacement opportunities?

Absolutely, private and public net benefits should both be considered as they're closely linked and the desired training outcomes should reflect a win/win benefit for those both involved and not involved in the provision or receipt of VET.

9. What is the effect of the level of student fees on student's participation in VET, e.g. to what extent do the current fees influence participation? What effect might a hypothetical doubling of fees have?

Doubling student fees could well destroy VET? Students and Employers don't believe they're getting a good return on investment now. Focus should be given to improving the quality of training before considering increasing fees. This could include critically analysing the skills of some teachers / RTO's to competently deliver UoC's and the quality and condition of all learning support material / equipment, whilst increasing the offerings of face to face classroom delivery.

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

Surely more credit options is NOT the answer? Capacity to pay will more likely have an impact on future student numbers. However if training was aligned with genuine outplacement opportunities in skill shortage and growth vocational areas, an increased level of financial security may lessen this impact?

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?

How do students become aware of any possible positive externalities associated with their training? Who educates them about same? If they're not aware and / or don't appreciate or respect this, how will this drive increased ownership of their training? If students are required to pay more for training without any change in their prospects of outplacement upon completion, won't this drive more crime to pay for an increased debt? Training strategically aligned with real outplacement opportunities may drive a greater appreciation of positive externalities, which once realised, may encourage the government to consider additional funding / subsidies?

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

Yes, strategic skill shortage and future growth vocational areas with a focus on innovation?

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

I'm not sure analysing the relativity between VET and university study should be the focus? From your information, it appears the higher the VET qualification, the higher the likelihood of outplacement and earnings potential. An interesting statistic in Table 5.3 is the reduction in outcomes for individuals who have completed a Cert I or Cert II compared to Year 12 school leavers. If the focus is on outcomes, does it make more sense to only compare VET courses and their outcomes? It can be argued Table 5.3 promotes increasing VET training capacity to deliver higher quality training at higher qualification levels, as this will produce more private and public benefits. Hence more weighting should possibly be given to higher VET qualifications leading towards strategic outplacement outcomes in skill shortage and growth vocational areas.

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

Are there any other options that better meet these criteria?

Of the two options promoted, the same percentage is preferred; however why not consider an option whereby the student / employer sponsored fee decreases as a percentage of base price as the qualification level increases? Students may be more encouraged to undertake higher qualifications if they're paying less (in percentage terms) for the tuition? Once qualified at a higher level, you have already stated both private and public benefits increase.

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

Qualification pathways should be graded according to strategic outplacement outcomes in skill shortage or growth vocational areas, driving both private and public benefits. I agree the fee structure should be designed to encourage students / employers to consider higher qualifications from the outset, as this will have an increased positive impact on private and public benefits. Why not consider a time factor also i.e. if a student commences a higher qualification in the same pathway immediately after completing a lower qualification, consider a smaller charge than that for a student who is undertaking a different or higher qualification in an alternative pathway? Again the key would appear to be weighting less charges towards those qualifications aligned with high outplacement vocational opportunities?

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?

As per above, as long as additional qualifications are sought in the same pathway; hopefully aligned with high vocational outplacement opportunities, the ratio of student / employer fee to base price should remain constant.

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?

Why not multiply the current annual fee by the expected time frame, to derive a qualification fee i.e.

- Cert III $\$478 \times 1 \text{ year} = \478 (1 year to complete)
- Diploma $\$1432 \times 1.5 \text{ years plus Cert III } \$478 = \$2,626$ (2.5 years to complete)
- Advanced Diploma $\$1,720 \times 2 \text{ years plus Diploma } \$2,626 = \$6,066$ (4.5 years to complete)

The example above captures 2013 TAFE fees only, not the points I've raised elsewhere in this submission arguing higher qualifications should be supported more than lower qualifications i.e. if balanced

- Cert III $\$1,348 \times 1 \text{ year} = \$1,348$ (1 year to complete)
- Diploma $\times \$1,348 \times 1.5 \text{ years plus Cert III } \$1,348 = \$3,370$ (2.5 years to complete)
- Advanced Diploma $\$1,348 \times 2 \text{ years plus Diploma } \$3,370 = \$6,060$ (4.5 years to complete)

...or if percentage decreases with higher qualifications

- Cert III 35% of $\$6,060 = \$2,121$ (1 year to complete)
- Diploma 33% of $\$6,060 \text{ plus Cert III } \$2,121 = \$4,121$ (2.5 years to complete)
- Advanced Diploma 32% of $\$6,060 \text{ plus Diploma } = \$6,060$ (4.5 years to complete)

Otherwise a flat fee across all qualification levels for apprentices and new entrant trainees could be

- Cert III $\$2,020$ (1 year to complete)
- Diploma $\$4,040$ (2.5 years to complete)
- Advance Diploma $\$6,060$ (4.5 years to complete)

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

Similar to arguments presented above, concession fees should be qualification based not time based, and yes concession fees should be weighted so to encourage concessional students to strive for higher qualifications thus producing more positive private and public benefits.

19. How should government payments to RTO's for delivering entitlement and purchased training be staged over the period required to complete the qualification or part-qualification?

The weighting here must be towards encouraging completion. Why not consider

- 1st payment - 25%
- 2nd payment - 25%
- 3rd payment - 50%

However underpinning the 3rd payment should be critical analysis of the quality outcomes using strict criteria. Students and employers seek 'step change' in knowledge, skills and abilities after investing in training. Only tangible benefits driving a true perception of growth outcomes following training attendance will continue to drive a propensity for students to attend training and for employers to sponsor same.

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

Inverse to the above, students / sponsor employers should pay more up front and less as the course continues; however I don't agree with full payments up front.

21. Should the current payment arrangements under the Apprenticeship and Trainee Training Program (ATTP) and Strategic Skills Program (SSP) be maintained? If so, should the staged payment of student fees also match these arrangements?

If this refers to government funding, again the weighting should be less payments early and increased payments upon completion. VET should be geared towards completion, not starting or getting part way through a qualification. Although the student will derive some internal growth from completing some level of training, without the qualification, full private and public benefits will not be realised, yet much funding will have been consumed in the meantime?

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?

I agree with much of the information provided i.e. look at conducting framework reviews every 4-5 years through a survey or industry participants. All be it small, this is at least some level of industry engagement. Inside this 4-5 year framework however, there should be an annual or maximum 2 yearly review of skill shortage and emerging growth vocational areas. These shorter reviews should then provide / alter weightings towards particular qualifications and / or training pathways to meet market demands, achieve real outplacement outcomes, driving private and public benefits.

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? For government subsidies?

I think CPI can be utilised as a 'ball park' indicator / inflator for base prices, fees, and subsidies; however the key remains to measure the quality of training outcomes. This may require a strict performance management regime of RTO's and their teaching staff, as in some vocational / qualification areas, to attract, recruit, and retain competent staff, may require additional resources to appropriately compensate knowledgeable and skilled tutors? Training needs to produce tangible step changes in student abilities.

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?

I think a set single student fee is more appropriate than a range. Competition should be derived by market transparency as to the quality of RTO's and qualification outcomes. Without this, poor performing RTO's charging at the lowest end of a range is still poor economics. Why not move away from price as the competition medium? RTO quality and market knowledge around same would hopefully reward good RTO's with higher enquiry and demand for their services?

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

No, please refer to my response to Question 24 above. If poor performing RTO's fail to see their students through to 'quality' completion of a course, then they will hopefully miss out on a larger proportion of the funding; that's if the weightings are applied as promoted above. This coupled with transparent market knowledge around which RTO's provide higher quality training leading to stronger outplacement outcomes, should hopefully influence competition?

Thank you for the opportunity to offer input. I make myself available should you wish to discuss any detail further.

Regards,



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