



Submission to:

IPART

**Pricing VET under Smart and Skilled
Issues paper APRIL 2013**

Submission by:-

**Master Plumbers Association of NSW
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To whom it may concern

April 2013 Issues Paper

“Pricing VET under Smart and Skilled”

Introduction

The Master Plumbers and Mechanical Contractors Association of NSW (MPA NSW) is a registered employer organisation providing representation, training and extensive advisory services to a broad base of members in the plumbing, gas and mechanical services sector in NSW and the ACT. The principal activities of the Association are to provide business services, industry representation, training and advice on industrial relations and employment to the membership. Our members range from major contracting companies through to sole traders and are a highly reputable group to lobby government in support of various plumbing, business and environmental reforms and recommendations.

MPA NSW operates the trading name of MPA Training, a registered training organisation which provides specialist training for Plumbers at Certificate III and IV as well as Certificates III in Roof Plumbing, and Gasfitting.

It is the position of the Association that there should be a prudent approach to the adoption of some parts of the Issues Paper so as to improve the competency consistency of graduands of vocational qualifications and in order to move towards a truly competitive open market.

For a successful move forward there needs to be an improvement in consistency without impinging on niche and smaller training organisations. To this end there also needs to be recognition that vocational qualifications are not always similar; for example to equate a Certificate III in Hairdressing to a Certificate III in a specialist licensed trade such as plumbing or electrical is most inappropriate.

At page 11 of the paper there is an important and not to be overlooked reference at the bottom of the page..

“11 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.”

What must not be overlooked is the requirement in traditional trades for the gathering of workplace evidence which is both informative and realistic. This adds to the actual cost of delivery and is currently being very poorly addressed by TAFE. The determination of the actual costs of delivery must take account of the need for workplace evidence gathering costs.

1. OVERVIEW

The paper attempts to put the reader at ease with the methodology and ideology used to develop the paper. There are a number of assumptions and oversights which will be noted during this response and as a base item the often repetition of references to TAFE continues to give a higher position to one participant in the desired open market than it deserves. TAFE in fact needs to be either viewed as a monopoly group of RTOs or as a disparate but related group of individually registered RTOs.

MPA NSW will overview the document before moving to a detailed response to the listed questions for comment.

Page 8. 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.

IPART's defined market segments appear to be well defined except that there is no reference to Federal funding for things such as National Workforce Development Fund (NWDF) where there may be overlaps of alternative funding arrangements for a single qualification.

MPA NSW whilst focussing on the domestic market remains concerned that funding needs also to be provided for the recognition of overseas skilled persons and those with current overseas qualifications! **This market sector must also be identified and accommodated.**

What appears to not have been clarified in the paper is the overall funding model under which Smart and Skilled will go forward. To this end, if the intention of the paper is to accommodate a fair and equitable competitive market then the total sources of TAFE, and Government funded RTOs should be identified.

TAFE has a number of funding sources to allow it to deliver qualification outcomes. Private RTOs have to deliver infrastructure from their own resources whilst TAFE has income from other pools of money over and above the discussed open market funding. Such things as curriculum and resource development have additional funding. There are some 130 TAFE campuses to accommodate buying power well beyond private providers.

At page 9 reference is made in Box 2.1 in the second bullet point that the AQF 2nd edition states that a Certificate III would take 18 months to complete. This is in fact incorrect as the document at page 14 states ...

“The volume of learning of a Certificate III is typically 1 – 2 years. Up to 4 years may be required to achieve the learning outcomes through a program of indentured training/employment”.

Traditional specialist trades such as Plumbing maintain a four year indenture as it has been historically shown that the four years is needed to learn and then master the competencies required for the qualification. Accordingly there is a need to be very careful that each qualification rather than the Certificate level is considered in determining training and delivery parameters.

What also needs to be stated is that the method of delivery and pressure for full time institution based delivery flies in the face of the industry desire to allow the course participant to practice and perfect the learned skills in the actual workplace prior to formal assessment. Whilst this is not the current practice for many public RTOs it in fact should be. The National Training Package CPC08 states that evidence must be gathered over time and accordingly it is not as simple as signing off at set time periods for a single or group of competencies in order to fit into a payment schedule.

At page 18 there is an erroneous reference to the “current fee that is charged based on time served”. This is not accurate in any form and current fees are charged based on each semester you enrol in. It is not about either a one year or two year Traineeship or even three year Apprenticeships, it is about how many times you need to enrol in order to complete the required number of competencies. Time served relates to the nominal period on a training contract in terms of an Award condition not the training and assessment pathway.

At page 19 Pricing Principles.

- The concept of transparency and consistency is laudable, however the actual defining of what constitutes TAFE income has already been stated as coming from a number of directions and will not necessarily be reflected in the course fee income..
- Will the proposed fee as a single course/qualification be able to be paid off over the period of the training activity or be payable up front?
- Why would Community Service Obligations (CSO) only be available to TAFE? The paper goes on to include thin markets with CSO and if these funds were only to be made available to TAFE, then this is not acceptable. There are a number of private RTOs who would only be too willing and able to take on some CSO obligations but are prevented by the concept of preference for TAFE monopolies.

At page 20 item 2.2.3. The reference to Fees needs to be developed. Should the actual definition of the fee include all fees?

Fees may include, but not limited to:

- Enrolment fee
- Course material fees
- Industry contributions fee
- Library membership fee
- Student association fee
- Parking fee
- Legislation and Australian Standards fees

Consideration also needs to be had to career pathways for subsequent qualifications. For example a Certificate III may allow a plumber to operate as a journeyman however to obtain a contractors licence and contract with the public they need the Certificate IV in Plumbing. Is this second but required licencing qualification to be treated in the same way as a secondary qualification for lifestyle of self gratification?

2. Issues which IPART sought comment on.

The issues on which IPART has sought particularly comments about are set out below and the MPA NSW commentary follows each item.

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?

There is a base line issue in determining the “actual” price of VET delivery. As already noted there is a potential discounting of costs by public providers due to the mix of funding sources covering the various cost centres. TAFE has access to consultation and development costs reimbursement, and some staffing costs do not come from the direct VET funds bucket. The commercial costs associated with infrastructure also come from a different cost structure.

MPA NSW supports the need to determine on a qualification by qualification basis the actual costs. For example if the Construction NTP was banded then there would be a poor result, as the costs between the delivery of Certificate III in Plumbing is very much higher than Certificates III in Bricklaying or Roof Plumbing.

There is also a need to define what is meant by the “student fee”. There are a number of fees paid by the student as listed previously. The term fee may also have industrial implications as payment of training fees are covered by a number of Industrial Awards.

Any model on fees must also take account of the movement by apprentices or course participants between RTOs. If the student fee was required up front then any subsequent RTO would thereby have to absorb the income loss. Also, would a requirement to pay the fee up front be a disincentive for students to move to a better or more accommodating RTO as the fee has already been paid?

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

As noted previously there is concern that this set of criteria capture true and valid costs of delivery. There are additional costs to operate an RTO which is not covered in this item. The term **efficient costs** is widely open to debate and may not be helpful in the end.

As a statement of intent it is largely sound.

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?**

The repetitive use of the term **teacher** should be amended to reflect the need for VET based discussions to revolve around the two major activities of VET and these are Training and Assessment. Accordingly the separate costs associated with trainers and assessors needs to be taken into account in terms of both the qualification and the methodology to collect workplace evidence. To continue to focus on classroom based costs is a poor narrowing of effective VET delivery. Indeed at MPA Training the student focussed management differs from the TAFE class based management and is more costly in order to accommodate the flexibility required for this individual focused management of learning and outcomes.

The argument that RTOs may be incentivised to offer the cheaper pathway in a qualification should not exist if RTOs actually negotiated training plans with industry. There is hard evidence available from this organisation that TAFE have grossly failed in this measure and do not actively negotiate or even offer training plans for apprentices in Plumbing.

Again in Table 4.1 there is no reference to workplace evidence gathering for assessors who may not be under the same delivery hours to preparation ratios to classroom based personnel. There is no reference to recognition of prior learning costs, evaluation of third party information or on-site formal assessment.

Is there actual evidence across the board that regional delivery does in fact cost more than in other areas? Regional may be more costly for some qualifications but surely not all, IT via web based technology would not appear to be more expensive in regional areas than in the metropolitan areas.

The application of depreciation varies depending on the actual taxation status of an RTO. Not-for-profit RTOs can be Tax Exempt and therefore do not have the benefit of a deduction for depreciation.

MPA NSW confirms support for the shift towards a truly competitively neutrality of TAFE and an open market for the provision of VET.

METHOD 1

- The proposal to **broad group** is not one which MPA NSW would support. As stated above the cost variation even within a single national training package (NTP) is far too wide let alone across a group of NTPs.
- There is also concern as to how the number of “teaching” hours would be established. Already, the Victorian TAFE system (National nominal hours) http://trainingsupport.skills.vic.gov.au/p_trgpck.cfm) produces a set of hourly loadings which do not reflect what is funded in NSW. Much more work would need to be done to reach agreement on nominal hours for units or qualifications. For a Plumbing Certificate III example, various pathways may be as follows.
 - 4 streams, water, sanitary, roofing and gas..1002 hours
 - 4 streams, water, sanitary, mechanical and gas..1086 hours
 - 4 streams water, sanitary, roofing and mechanical..1154 hours
- Class sizes also vary between RTOs. What would constitute a reasonable number will also vary due to the potential WHS exposure for specific units. Some RTOs have differing ratios between theory and practical delivery.
- There is no support for industry groupings nor teaching bands for similar hours in courses as set out in option 1.

METHOD 2

- The process of using UoCs is a more sound methodology as it will allow a more accurate view of the costs associated with the unit to be made rather than loading an average cost over a qualification. Whilst more detailed the methodology is reasonable easy to manage through a purchasing database which reflects the units negotiated via a training plan. Less acceptable is the concept of a base price reflecting the potential scope of delivery as set out in a scope of registration on offer.
- The flaw in this methodology is that the delivered effort of various RTOs may differ. MPA NSW entered the training market as a result of TAFE NSW moving away from delivering the traditional apprentice outcome by removing the roofing competencies from the standard pathway. MPA Training as the RTO for MPA NSW does in fact deliver the roofing competencies as part of the standard apprentice program even though it is above the minimum set of competencies required for the Certificate III in Plumbing. Accordingly MPA Training would reasonably expect that the full set of competencies being delivered by way of a negotiated training plan would be paid for under these new arrangements. If this is not the case then there would be a dumbing down of the traditional trade outcome from what industry expects.
- There should be no uncertainty in terms of the student fees as this information as required by ASQA would be required to be clearly stated on the RTO website and could be adjusted automatically depending on the elective pathway requested. This is no more difficult than most current internet shopping sites which add up your purchases into a trolley as you go. The student fee if expressed as a loading on top of the Government fee would be very clear for all, not dissimilar to a GST loading.

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?**

If variations were dealt with on a Unit of Competency basis then this will not be an issue. It is by trying to generalise the Government contribution that the complexities arise.

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

If UoCs were the base currency then this is not an issue. The current issue is that an individual UoC is often more expensive to deliver as a one-off unit than when it is delivered as a cluster or in conjunction with other units.

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

There is no evidence offered in the paper for the basis that the different delivery modes costs vary. What is missing is the separation of class based training and the workplace assessment of competence.

- **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 comment

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

- **What would be the best way to group UoCs?**

The grouping of competencies is not supported. A far superior methodology is to use the Victorian purchasing guide as a foundation of nominal hours and then build a cost consideration on that to be able to reflect a realistic cost per unit of competence cost. Grouping competencies is fraught with problems due to the inconsistent content, structure and requirements of units both across and within NTPs.

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

There is no fixed relationship as to which methodology is consistently cheaper. For some cohorts one methodology may have cost savings or cost loadings whilst another may not. The same may be so for individual students within the one class. There is also no clear definition as to what constitutes flexible delivery.

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

There are specific costs associated with students with poor numeracy skills, especially those straight out of High Schools and to a lesser extent literacy. There are no major issues with our indigenous student population as MPA Training has an individual student focussed management process.

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)?***

The concept of thin markets needs to be addressed as a market which is open to all RTOs. There are RTOs willing or able to address a thin market and if there is a CSO then that should be made known and the “loaded” Government contribution may encourage additional private RTOs to offer the outcome. Thin markets and CSOs should not be segregated only to TAFE and the ACE sector. There are a number of fine niche market RTOs who would be more than happy to receive the additional funding to meet their costs of offering the program.

Thin markets may be for a number of reasons. An example for this industry is Sprinkler Fitting. Each year only a small number of people seek the qualification however the risk to society by not having the qualification delivered is extremely high. The course would never be suitable for delivery except in a few RTOs as the cohort will always remain small, the infrastructure cost is also very high and delivery is expensive. Despite this it will always remain a thin market. Thin markets may be due to rationality and as always some consideration will need to be made as to what is offered in any locality over the requirement to make a personal contribution to travel.

- ***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?***

Yes

This appears to be a prudent initial concept to start the discussion. Bearing in mind that the paper already proposes a formal review period, this approach seems to be a good point from which to go forward.

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

Whilst the paper suggests 25%, it may be a better option to commence the discussion at a 20% level as this reflects an reasonable impediment level to offering a program.

- ***What other test should we consider?***

No comment

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?

One issue not discussed in this section is that of affordability. Apprentices especially in the first year do not have a high disposable income and despite having a sound financial benefit which would arise from gaining a qualification, they cannot be expected to prepay that benefit in terms of increased student fees. The concept of human capital theory does not have a sound basis in trade training activities. A secondary consideration is that the Certificate III in Plumbing is an entry level qualification whereas the Certificate IV in Plumbing is the pathway to a plumbing contractor licence.

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? What effect might a hypothetical doubling of fees have?

Current fees are twofold. There is the standard "TAFE fee" which is mandated and for apprentices this is paid by the employer under industrial conditions. There are then additional fees as set out before and these are in the form of materials and industry contributions. Students also, depending on the units being undertaken, also may be required to purchase Australian Standards, codes of practice or other relevant codes and legislation. All these must be considered as part of the student contribution to the costs of the training pathway chosen.

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

As stated above the issue will be whether there is a full up-front payment of fees. A full payment at the start will have a major disincentive to participation for employers. This paper needs to accept that the student and the RTO are not the only players in VET activity. Industrial Awards impose conditions on employers to pay student costs and a further burden on employers at this economically tight period may lead to a reduction in apprentice commencements.

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?

Again this is an unproven academic approach to determine sharing arrangements. Positive externalities as an academic argument does not have a place in a paper which seeks active industry comment and should be removed to an underpinning internal discussion. Even the discussion paper suggests that any benefit if identified would be relatively small.

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

The protection of health and amenity to the public from licensed trades such as plumbing and electrical should be considered in terms of ensuring that the realistic costs of delivery are met. The alternative is to put a risk of epidemic in our modern society.

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

There is no realistic relativity. VET is about training and assessment leading to workplace competence whilst university study is about education and preparation for entry to the workforce and the ability to commence using the learned skills in a workplace.

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**

This would be preferred to the next, however neither is the better option.

- **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?**

The concept of one size fits all at any qualification level is flawed.

The above two options reduces the flexibility of Government to incentivise a sector to expand participation whereby the Government may reduce the student fee to increase the participant numbers for strategic planning reasons. If there was a shortage, the option to increase the Government and reduce the student fee should be available.

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?

As stated previously, the progression of subsequent qualifications will vary throughout VET. For plumbers the Certificate III is a prerequisite for the Certificate IV which is the licensing qualification. Accordingly a person who seeks to gain a plumbing licensing qualification does not have the option to directly enter the Certificate IV but must first complete the Certificate III trade level qualification. This being the case then any penalty or additional cost of a subsequent qualification should be quite different from a person simply deciding to upgrade a qualification for their own desire. Equally there may be a penalty for current plumbing TAFE students. Previously the TAFE course included the roofing competencies. TAFE have decided to only deliver the minimum competencies from the NTP and therefore those current students will now have to re-enrol into the Certificate III in Roof Plumbing in order to hold the competencies previously offered. This means not only will they have to pay new enrolment fees but also pay a penalty to access the second qualification.

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?

MPA NSW does not support part qualifications. There is sometimes an argument for a competency grouping for a specific purpose but given that the organisation has proposed above that each unit be costed separately then the costs borne by either party would already have been set. This question has already been answered by the flexibility of SSP funding which allows for funding of units with the support of demonstrated industry need.

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?

At present there is a discount from the standard fee for Apprentices and there is no opposition to continuing this for qualifications on the skills list. The concept of a flat fee is of concern as many apprentices do not complete all the competencies within the set time period. RTOs often have the apprentices attend catch-up sessions or come back for another semester. This discussion does not address the current re-enrolment fee issue.

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)?**

Time served is not an appropriately used term. The reference should relate to the nominal training term as set out in the training plan and any extension required to demonstrate

competence. The fee should be initially for the agreed time period and any extension should be open to the RTO to charge a further fee.

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

No

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?

The procedure for funding should follow the units of competency in a similar fashion to the current APL payment system. This accommodates flexibility for the RTO.

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

An annual progress payment would work best.

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?

Both programs should be maintained as they have specific strategic directions. The current process as stated above would work effectively.

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?

There is a need to track costs from the beginning. Even allowing for commercial in confidence issues a system of monitoring is needed. Part of this is the current tender program which established a threshold from which an RTO is willing to offer the program or unit.

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?

By adjustment there needs to be indicators both for increases and decreases. This reference appears to only consider the potential for increases in base costs. More work is needed in order to document the basis for the original setting of the factors, subsidy, student fee and overall cost.

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?

Individual RTOs should be able to vary a student fee above a minimum if the need arises. This may impact on thin markets whereby for a small increase in the student contribution a market may be opened up as the RTO can now afford to run the program.

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

Accepting that the recently noted increase in student fees from TAFE appear to have reached a benchmark in a very uniform manner there is concern that major players could in concert set minimum fees to the detriment to the students. From very few college fees TAFE Plumbing

Schools have suddenly appeared to have imposed a materials fees as a pre-emptive strike against the implementation of a competitive market.

A handwritten signature in black ink, appearing to read 'Paul Naylor', with a long horizontal flourish extending to the right.

Paul Naylor
General Manager