



06/05/2013

Pricing VET under Smart and Skilled
Independent Pricing and Regulatory Tribunal
PO Box Q290
QVB Post Office NSW 1230

To the Independent Pricing and Regulatory Tribunal,

Re NSW Farmers' Association comments on the pricing of VET under Smart and Skilled

NSW Farmers welcomes the opportunity to provide comment on the pricing of VET under Smart and Skilled. We appreciate that you will take these comments under consideration.

Which of the two possible methods for determining a base price for courses and qualifications that reflects efficient costs do you prefer?

The Unit of Competency (UoC) method, though more complex and onerous to administer, would be a more accurate reflection of the efficient costs of courses and qualifications. If prices are based on UoC, it would also allow easy determination of costs for part qualifications.

UoC's should be grouped in terms of similar costs of delivery. This will also allow for the difference in cost for different modes of delivery and possibly require sub-sections or an adjustment ratio for courses provided online as opposed to in a classroom.

Each of the pricing methods proposed by IPART arrives at a price based on the number of students undertaking the training. Invariably this will increase the costs of training delivered in thin markets, where the fixed costs of delivery do not change yet the low number of trainee's means that the individual cost burden will be much higher. As such appropriate pricing provisions need to be put in place to accommodate the higher student costs in thin markets. This includes rural and regional areas with lower population densities as well as specialized agricultural subjects and competencies which are resource intensive and have higher costs of delivery.

As part of the broader Smart and Skilled reforms, it is important that the reforms surrounding pricing are able to meet industry needs and demands. Pricing should not limit the ability of RTOs to deliver a variety of subjects and competencies and a student's ability to choose qualifications and skill sets that suit their needs.



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Thin Markets

A number of rural and regional areas would likely be classified as thin markets due to the lower population densities and the higher costs associated facilitating training. Thin markets should not eliminate a person's ability to participate in training. Government has a distinct role in thin markets to ensure that there is equity in the provision of higher education.

Testing for thin markets through differences in the cost per individual student across different areas would appear to be an appropriate way to classify these markets. However, careful consideration must be given to the actual percentage that qualifies an area as a thin market. For instance if a thin market is set at a level where the cost of provision is 25% larger; this may not qualify any areas within the state as thin markets. This does not mean thin markets do not exist, rather that the threshold is not set at an appropriate level. NSW Farmers is not in a position to comment on the appropriate threshold for thin market classifications. However, a beneficial approach could be a sliding scale of thin market classifications based on the costs to provide the course to students at different institutions (for instance from 5% to 30% above the base costs). This would measure the degree that a course provider is operating in a thin market (slightly thin to extremely thin) and allow for appropriate funding from government in terms of their contribution and subsidy.

Dividing costs between taxpayer and student, public good provisions and the benefit of part qualifications?

The overarching principle of any pricing mechanism for RTOs should be that participation is not determined by the financial barriers to access, rather the quality of the competencies and skills acquired. Those in rural and regional areas, in particular those studying in specialized agricultural skill areas are confronted with higher costs associated with accessing VET. This may be directly through higher cost of competencies and lack of institutional competition as well as indirectly through greater time and travel costs. While students in these areas experience higher costs, there is no comparable rise in the return on investment they receive through an increase in income. As such there is a distinct role for government to play to ensure there is equity in the provision of higher education and that those in rural and regional areas have comparable accessibility to those in metropolitan areas.

The government also has a role in ensuring that the public good of higher education and skills is recognized through financial contributions. Traditionally, agriculture and farming has relied upon 'on-the-job' learning for the development of skills. However, there is an



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increasing desire for greater formal skills development and attainment through RTOs. If the means to accessing these formal skills are financially prohibitive then there will be distinct limits in the ability to skill and formally recognize the competencies of the agricultural workforce in NSW. This has obvious implications on the workforce training, resilience and the future productivity of agriculture. As such concession arrangements are vital in providing equitable access to vocational education and training and facilitating the skills development of industry. In particular, additional government loadings paid to RTOs may be an option for specialized agricultural skill sets as defined by the AHC10 Training Package.

In some instances the government mandates that certain people in certain roles are required to undergo specific training. This regulatory requirement recognizes the public good value of having such skills and imposes this upon the private individual. Examples of this in agricultural industries include certification for chemical usage and fork lift operations. There are also indications that training may be mandated to access certain government support measures in the future. If such programs are mandated then it is essential that government, in recognition of the public good, adequately compensate those having to undergo such training. Similarly, any pricing framework needs to be constructed to allow for external training directives to be accommodated and not force separate funding arrangements.

What effect does the level of student fees have on student participation, what is the impact of capacity to pay?

There is a strong and direct link between the financial costs of accessing VET and students participation in VET courses. In 2011 the Department of Education, Employment and Workplace Relations commissioned a survey on factors influencing Year 12 decision-making on post-school intentions. In regards to higher education, the costs associated with study along with the need to travel long distances were identified as reasons for not perusing higher education, especially for students from rural areas. NSW Farmers is not in a position to provide comment on the impact of specific price rises on participation rather able to provide general comment that as a barrier to accessibility, price increases will have a negative impact on participation, especially if there is no apparent increase in the quality of service the student receives or their return on investment.



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The student fee is an increasing percentage of the base price for higher qualifications? Should payments be staggered?

As outlined in the discussion paper, the methods of determining the price of VET will be related to the RTOs cost of delivery in training and assessment. Any increase in the amount a student has to pay for training should not be such that it acts as a disincentive for individuals to further their education and skills. Instead the balance of increasing student fees should be matched with incentives for up-skilling.

There should be a range of flexible payment methods including staggering payments across the duration of study.

Evidence on the benefits of part qualifications?

There is overwhelming evidence that farmers and those involved in agricultural industries prefer completing specific skill sets and competencies rather than whole of course or full qualifications. This is consistent with the nature of their work and the fact that often it is only necessary for them to gain skills in particular areas with other skill set areas being irrelevant to their particular commodity. The time demands of farm work and the difficulty in finding suitable replacements also limits farmers' ability to complete time consuming whole qualifications. Consequently, it is imperative for the agricultural sector that part qualifications continue to exist as they provide definite benefits and positive outcomes for individuals as well as the broader public. Part qualifications also improve the accessibility of VET training opportunities by offering individuals sufficient flexibility in completing particular skills sets and competencies. The system should have sufficient flexibility to accommodate this need rather than require them to complete the whole qualification which would be irrelevant and act as a disincentive to increase skills. This is consistent with broader Smart and Skilled reforms which are user-driven and have the ability to meet client needs.

If pricing were to be based upon Units of Competency then the pricing of part qualifications would become more practicable.

Kind Regards,

A handwritten signature in black ink, appearing to read 'Sarah Thompson'.

**Sarah Thompson
Rural Affairs Committee Chair**