

TAFE NSW – South Western Sydney Institute
Submission to the Independent Pricing and Regulatory Tribunal
May 2013

**Review of Price and Fee Arrangements for Vocational Education and
Training under *Smart & Skilled***

Executive Summary

TAFE NSW – South Western Sydney Institute (SWSi) welcomes the opportunity to contribute to the Independent Pricing and Regulatory Tribunal’s review of the pricing of VET under *Smart & Skilled*.

One of the largest training providers in Australia, SWSi has over 72,600 enrolments per annum in more than 700 nationally accredited or customised courses. South Western Sydney is one of Australia’s fastest growing and most culturally diverse regions, and has demonstrated both steady population growth and business innovation. SWSi has built a reputation for responding effectively to the needs of industry through partnerships and quality education and training. This enables SWSi, its students and the wider community to capitalise on the opportunities available in this dynamic region.

SWSi’s driving principle is to ‘Support our customers to develop skills, build community capacity, enhance job growth and increase productivity.’ In an increasingly competitive and customer driven environment, the Institute’s strategic approach focuses on the customer and developing creative and innovative solutions for industry and community. ‘SWSi Strategy 2015’ reflects state and national priorities for the VET system to develop Institute practices that are innovative, sustainable and accountable and, above all, place the customer at the centre.

In February 2013, SWSi Institute Director, Peter Roberts reiterated his commitment to the region in an article he wrote for the national weekly publication ‘Campus Review’:

“As the director of the largest training provider in the fastest growing and yet most disadvantaged metropolitan region in NSW, I know we have a central and vital role to play in the future prosperity of the people who live here. Our region is an untapped talent pool that requires a new approach to student engagement and support to build vocational skills capability that will underpin Australia’s prosperity well into the future.”

The Institute’s training programs cater for people living in 12 Local Government Areas (LGAs), stretching from Parramatta to Wollondilly and Camden, and covering approximately 3,742 square kilometres. The catchment area also includes the South West growth centre, which is expected to have an additional 155,000 new homes and 89,000 new jobs by 2036. Strategic Economics (2009) predicted that, by 2031, South Western Sydney will provide 31.3% of the new jobs in Sydney.

SWSi delivers its programs in one of the most ethnically diverse and disadvantaged regions in Australia. SWSi has a concentration of 8 of the 10 most disadvantaged statistical local areas (SLAs) within the Sydney metropolitan area. Skilling, reskilling and upskilling is a critical element in building Australia’s and the state’s labour force participation. SWSi is located within the Greater Western Sydney region which is Australia’s third-largest economy.

The following data provides evidence of the unique characteristics of the south western Sydney region and supports the claim that SWSi students require a significant level of support to undertake vocational education and training and achieve successful outcomes.

The south western Sydney region has high population growth, is a low socioeconomic region, has high levels of unemployment and there is significant wealth disparity. 2011 ABS Census data reflects the following key regional characteristics for SWSi's catchment:

- There is a higher rate of population growth in SWS since the last Census (7.9%) than those recorded for Greater Sydney (6.7%) and NSW (5.6%)
- There is a higher unemployment rate (6.2%) compared to metropolitan Sydney (5.1%), NSW and the rest of the country (5.2% respectively)
- Unemployment hot spots within the region are Bankstown, Fairfield and Parramatta South with rates of more than 10%
- People born overseas now comprise 41.2% of the population compared to 39.0% in 2006
- People who speak a language other than English is at 50.8% compared to the state average of 22.5%
- Youth unemployment in some areas in the south western Sydney region is as high as 22.4%
- Youth participation in employment in the south western Sydney region is only 37.8% compared to the state at 50%
- There is a higher representation of people on low incomes, for example 31.6% of employed individuals receive a weekly income of less than \$300
- There is a higher representation of sole parent families with school aged children
- There has been significant growth in the population of people who identify as ATSI (+23.1%, from 13,000 to 16,000) since the last Census period
- There continues to be a higher representation in the workforce of technician, tradesmen and labourers and lower representation of professional and managerial workers
- The manufacturing industry continues to employ the largest number and percentage of the workforce in the region (although this industry's share of employment is lower than what it was in 2006). The decline of this industry is in decline across Australia, but this decline has a significant impact in south western Sydney
- There is an increasing representation of people born overseas and/or speak a language other than English of 50.8% compared to the state which is at 22.5%
- The three top birthplaces for residents are Vietnam, China and Lebanon
- The three top languages other than English spoken at home are Arabic, Chinese and Vietnamese
- Arabic speakers living within the SWSi catchment region account for 75% of the Arabic speaking population living in Greater Sydney
- There is a high concentration of recent arrivals in the SWSi catchment region. Over 60% refugees arriving in NSW are settled in SWSi region, with a concentration of settlement in Auburn, Canterbury, Fairfield, Holroyd, Liverpool and Parramatta LGAs. Refugees settled in SWSi catchment region account for 21% of the refugees arriving in Australia
- Participation in TAFE training by the catchment population has increased (in numbers), compared to 2006 (34,720)

SWSi strongly recommends that IPART acknowledge and consider the diversity of VET students in the south western Sydney region and ensure a sustainable model of pricing and fee arrangements is developed which will not disadvantage students or discourage them from engaging in education or progressing into higher level qualifications.

SWSi Response to Questions

Approach to Methodology (Q 1, 2 – Chapter 3)

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?

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

TAFE NSW – South Western Sydney Institute (SWSi) supports a transparent pricing and fee system. In general, the proposed approaches considered by IPART for determining prices, student fees and subsidies for government-funded VET are supported. However there are elements of the options which required further consideration and these are highlighted against the relevant questions throughout the document.

Further, SWSi recommends that the assessment criteria of the Review be extended to consider the goals developed through the six NSW Industry Action Plans, Regional Action Plans and the State Plan, NSW 2021.

SWSi recommends IPART consider the need to support access to training for equity groups as well as support for students requiring additional literacy and numeracy support integrated with vocational skilling.

Proposed allocation of prices, impact of mode of delivery (Q3, 5)

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?

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

- What would be the best way to group UoCs?
- How should the methodology take account of different modes of delivery (ie, classroom based and flexible delivery)?

SWSi has considered the two methods for determining a base price for courses and qualifications and supports *Method 2 – Map costs to Units of Competency* to be the most appropriate model of prices and fees for students, industry and NSW Government training strategies. This method is transparent and will enable units to be priced and costed at a detailed level, with the ability for part qualifications and skill sets to be easily identified and priced. However, it is critical that both the pricing and student fee arrangements are implemented so as not to disadvantage or discourage people to engage in either entitlement or purchased training. The guidelines developed to support *Method 2* must take into account the areas of disadvantage and low socio-economic regions. This will ensure a sustainable model of pricing and fee structure is developed to fund significant levels of support, required to assist these students to complete their qualification. It is important to ensure students at risk, from low income families or areas of high disadvantage are not discouraged from engaging in vocational education and training.

SWSi supports that grouping or bands of units are within nationally recognised industry groups, however it is recommended that IPART take into consideration that there are units of delivery which have an anomalous higher cost. These costs are a reflection of the industry area and resources required to train students in skill priority areas. For example, technical support is required to support students in highly specialized fields. It is unclear at this stage if such higher cost delivery areas would be considered in Method 2 as being in the category of ‘thin markets’,

however SWSi's recommendation is that rather than placing these units in the category of a thin market, that anomalous higher cost units are moved to a unique grouping in the pricing model.

The consideration of modes of delivery is required. While there are alternatives to pricing units by mode of delivery, a suggestion is not to pay a differential rate for these modes. Rather, if payment is made on a unit completion, the average price for each unit would take into consideration that some modes of delivery can take longer to complete with a commensurate effect on the RTOs cash flow.

SWSi proposes that payments be made to the RTO on completion of a unit based on participation in the final assessment event, whether the student is successful or unsuccessful (as per the South Australian model).

Costs for different student groups (Q 6)

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

Student groups which require greater levels of support and are costly to train include those that are geographically, economically or socially disadvantaged. Groups that often require greater assistance with literacy and numeracy and require more intensive support and attention to enable successful completions, include:

- Non-English speaking background
- Disabilities
- Student from socio-economically disadvantaged areas
- Aboriginal
- Long term unemployed

SWSi recommends IPART consider a differential rate and loading for these disadvantaged groups based on the individual student. It is the student that carries the loading, and not their location. The RTO should be entitled to differential loadings or combination of loadings when they are delivering training to a student carrying multiple levels of disadvantage, such as long-term unemployed, are Aboriginal and have a disability.

As outlined above in the Executive Summary, the south western Sydney region has significant levels of disadvantage. This is also reflected in the characteristics of students enrolled in SWSi. For example, 65.7% of SWSi students are from a low socio-economic background (two lowest quintiles), as defined by the SEIFA Index of Relative Socio-Economic Disadvantage. These levels of disadvantage refer to low income, low educational attainment and unemployment.

The following table shows the number and percentage of students from equity groups enrolled in SWSi compared to TAFE metropolitan Institutes and TAFE NSW, as a percentage of total student enrolments.

Table 1: Student enrolled in TAFE NSW against equity groups in 2012

Equity group	SWSi 2012 Enrolments	2012 as % of total SWSi Enrols	Metropolitan Sydney % of total	TAFE NSW % of total
Aboriginal students	1,906	2.6%	3.6%	6.4%
Students with disabilities	7,395	10.2%	9.2%	10.2%
Unemployed students	34,809	47.9%	39.7%	38.7%
Language Background other than English students (NESB)	38,769	53.4%	32.8%	22.2%
Total Enrolments	72, 670		339,048	579,719

Source: TAFE Data Warehouse, April 2013

TAFE NSW has a very high number and proportion of students from low socio-economic backgrounds in its total population and this is reflected in SWSi's student profile. The most significant statistics relate to the quantum of 38,769 NESB enrolments which is 53.4% of SWSi enrolments, and 34,809 unemployed student enrolments, which is 47.9% of SWSi enrolments against the state average of 22.2%.

These student groups are more costly to train as many require additional assistance and support to undertake training. Such groups often have to be given significantly higher amounts of learner support than the average student, including extra literacy and numeracy support, assistance in vocational subjects, as well additional underpinning employability and study skills.

In 2012, SWSi had 7,395 enrolled students with disabilities who required additional support to complete their training. The cost of supporting these students includes salaries of Teacher Consultants and additional disabilities support such as interpreters, scribes and note takers, and in some cases specialist customized courses.

In 2012, approximately 1,900 Aboriginal students enrolled at SWSi were granted an exemption from fees for every course enrolment. Other groups which gained exemptions and concessions were unemployed people and those on Commonwealth benefits. These student groups require additional support and assistance to undertake and complete their training, and are therefore more costly. These costs relate to the contextualisation of courses to meet specific student groups, in addition to learner support services.

The National VET Equity Advisory Council (NVEAC) has developed an initial indicator of the cost of VET equity interventions. In 2011 Deloitte Access Economics conducted research into a range of providers delivering to equity groups. This process revealed an indicative equity loading – the extra cost of supporting a disadvantaged learner compared to the average student. SWSi recommends that IPART consider these findings as they reflect the additional costs required to deliver VET qualifications to individuals with particular needs.

As part of the Institute's strategic plan, *SWSi Strategy 2015*, a key initiative is to improve course placements, pathways and completions in vocational education and training, and employment for all students. As a result of this initiative and the importance of qualification completions, SWSi has recognized that its student cohort requires additional and targeted support to achieve successful outcomes and development of skills to assist the growth of the NSW economy.

A strategy currently in place is RUReady. In 2012 SWSi implemented a new online skills indicator program, RUReady, based on the UK BKSb solution, to systematically identify literacy and numeracy levels to improve student course choice and address skills gaps. Since its introduction

in mid-2012, over 6,500 SWSi students have completed initial assessments using the tool. These assessments have indicated that 28-30% of currently enrolled students are one or two ACSF points below the level required to successfully complete the training package qualification.

One key feature of the tool is the efficiency and speed of recording and reporting of results back to students and vocational teachers. The tool has the capacity to record a student's progress and gains over time. RUReady is mapped to the Australian Core Skills Framework and provides individualised learning plans and addresses identified skills gaps through vocationally contextualized work booklets.

The RUReady program was highlighted as a key strategy for other VET providers to consider addressing skills and learning gaps in the Australian Workforce and Productivity Agency (AWPA), *Future Focus: 2013 National Workforce Development Strategy Report* released in mid-March.

These strategies have contributed to a 4 percentage points increase in completions across total enrolments at Certificate III and above from 2010 to 2012.

The ABS 2011 Census identified that the south western Sydney region is challenged by an extensive skills deficit. This is indicated by:

- Higher representation of unskilled workers (eg 10% of labour force are labourers compared with 7.3% in metropolitan Sydney and 8.7% in the state)
- Lower representation of the workforce in professional and managerial occupations (18.5% of region's workforce are engaged in professional work compared to 25.5% for metropolitan Sydney and 22.7% for NSW and 21.3% nationally)
- A much higher representation of people aged 15 and over who did not go to school (2.9% compared to 1.4% for metropolitan Sydney, 1.0% for the state and 0.9% nationally)

As well as a skills deficit, the 2011 Census also identified an income distribution and wealth disparity, which is evidenced by:

- A much higher proportion of employed individuals on low income compared to the rest of the state and nationally:
 - 31.6% of employed individuals received a weekly income of less than \$300 compared to 26.3% for metropolitan Sydney, 26.5% for the state and 25.9% Australia-wide
- A much lower proportion of employed individuals on income of \$1,000 or more a week compared to the rest of the state and nationally:
 - 20.5% of employed individuals earn a weekly income of \$1,000 or more compared to 29.1% for metropolitan Sydney, 25.8% for the state and 26.1% Australia-wide

In addition, there are particular vocations that require significant practical assessment in a simulated workplace environment, such as in trade related training. While workplace assessment and third party evidence are 'options' the diversity of locations and limited range of what businesses actually do presents a real challenge and often a logistical challenge for many trade areas. Also, there are vocations that require learning and assessment on high cost and high technology machinery/equipment. The full range of equipment contained in the Training Packages is rarely present in any of the Apprentices workplaces. There are also vocations that have inherent risks associated with the practical training and assessment, e.g. glass and glazing. Smaller class sizes have been required due to the dangerous nature of the materials being used and the greater levels of supervision in the practical workshop.

SWSi recommends that IPART also consider other cohorts of people who may be found ineligible for assistance or entitlement because they hold qualifications above AQF level III. This cohort could include people who hold qualifications but have been retrenched due to an industry downturn. For example, the south western Sydney region has a much higher representation of workers in the manufacturing industry. This industry is vulnerable to job-shedding and competitive pressures from overseas markets. According to the ABS 2011 Census, 12% of the region's labour force is employed in manufacturing compared to 8.5% in metropolitan Sydney, 8.4% in NSW and 9% nationally.

Thin markets (Q 7)

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?

SWSi supports IPART's proposed methodology to identify thin markets for courses and qualifications. SWSi believes it is important to consider the following elements:

- Is not viable for competition
- Has unique delivery and providers
- Is critical to the region and NSW economy
- Has low numbers and high costs but skills demand and need
- Regional demographics and cultural influences where small group numbers require individualised training, such as identified Aboriginal communities

In SWSi thin markets relate to qualifications that are only offered in one or two locations in the state, with low enrolment numbers and high costs, for example, stonemasonry and glass and glazing. Other examples of thin markets of delivery within SWSi which are required by industry and have significant costs include ESI – Power Systems training, of which there are only a few RTOs in NSW that deliver this program.

In addition to the higher costs associated with delivery in thin markets, other services provided by TAFE to support successful student completions, such as literacy and numeracy support or Aboriginal coordinators, attract additional costs to support this training. It is important that such costs are considered in the methodology that is developed. Using costs per student is a useful first step in testing for thin markets.

SWSi recommends to IPART that the methodology for calculating a thin market should be open to review more regularly than the broader methodology.

Student fees and government subsidy (Q8-16 – Chapter 5)

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?

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?

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

Based on the demographics of the south western Sydney, high priced student fees will result in disengagement by people within the region to participate in VET training. Not all people in the south western Sydney region are eligible for concessions but still earn below the average wage, as outlined in the Executive Summary, or lack disposable income for training and education.

There is evidence from recent research that shows high fees deter low socio-economic disadvantaged students, even when they have access to income contingent loans. This issue is particularly significant in SWSi where in 2012, 47.9% of enrolled students were unemployed.

The presumption that income contingent loans will provide opportunities for their participation in higher level programs is misguided. The outcome of an unaffordable student fee arrangement could result in considerable disengagement by the communities within the south western Sydney. This will result in an inability of the Government to achieve its targets and the intended outcome of skilling the region's people to acquire skills and pathways into employment and further study leading to contribution of a productive workforce. This is also significant in the south western Sydney region where there is a high representation of unskilled workers (e.g.10% of the labour force are labourers), and people aged 15 and over who did not go to school (2.9%).

The skilling and reskilling of students is critical in increasing labour force participation to grow the economy. If fees are not manageable or contingencies are not made to support students from low socio-economic and disadvantaged areas, participation rates in vocational education will fall. Consideration of this must be given when determining fee structures to enable all economically and educationally disadvantaged students opportunities, not just those who are given access to concessions based on their disadvantage.

Base price and proportion of subsidy to student fee, government factors affecting level of government subsidy (Q 14)

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?

SWSi has considered the options regarding student fees and recommends that IPART determine student fees for qualifications at each level of the AQF as a fixed percentage of the averaged weighted costs of delivery for all qualifications at that level.

If the fee is a percentage of the average qualification cost, it is anticipated that students will be encouraged to undertake the most appropriate training to their needs and employment aspirations. This will ensure the engagement of students based on career and employability as opposed to the cost determining their career path.

SWSi recommends that IPART take into consideration circumstances where a student withdraws or fails a unit. What is the student fee implication? Also, in this situation does an RTO get funded for subsequent delivery and assessment for these students? Consideration should also be given to students who have failed with another RTO. What is the implication to the student and the RTO?

SWSi would like to highlight there is concern that the criteria for government subsidised training will exclude those who have previous higher qualifications even where these qualifications are no longer current.

For example, individuals who are unemployed will be ineligible for an entitlement if they hold qualifications above Certificate III level. Similarly, recent migrants who may hold undergraduate degrees that do not provide a pathway to employment will also be ineligible for entitlements. It may be economically advantageous to the State, to ensure such groups can access appropriate vocational qualifications.

This is a significant issue in south western Sydney due to the high concentration of migrant arrivals who may have overseas qualifications which are not relevant an employment pathway on the skills priority list. Therefore these students need to be considered for eligibility for government subsidised training.

VET vs. Higher Education price relativity (Q 13)
Student fees for subsequent qualifications (Q 15)

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

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?

SWSi recommends that rules around fees should be the same for government funded places regardless of whether they are VET or Higher Education. In the higher education undergraduate space, a student can study in a Commonwealth supported place (CSP) and there is no cap on the amount of study they can undertake. Although the student does pay for this they still do not pay the full amount with the government subsidising 60% of the cost of university study.

Under Smart & Skilled it is proposed that a student has one entitlement rather than multiple entitlements at a particular level. SWSi suggests that the rules should be the same for VET government subsidised places as for CSP places. There are a number of reasons why a student would undertake multiple VET qualifications at the same level. For example career change or redundancy. The cost of this would be less than funding a student to study multiple degrees but would provide significant benefits to the economy in terms of ongoing workforce participation.

In addition during a focus group with SWSi students, the question was asked “would you have selected TAFE NSW if you had to pay more?” The answer for the majority of participants in the room was “no”. This is one small indication of the fact that the SWSi market is anecdotally price sensitive – it is not known whether all TAFE students are price sensitive and whether the above statement holds true for the majority of SWSi students. However, SWSi is located in a significantly socio-economically disadvantaged region and it is highly likely that substantial increases in fees (regardless of whether VET FEE-HELP is available) will deter students from studying.

SWSi recommends that students receive a discount similar to the higher education arrangement. Students receive a discount on their HECS-HELP of 10% when they pay \$500 or more of their

student contribution and a discount on their student fees when they decide to pay these up front, both of which should apply to VET.

Fees for part qualification (Q 16)

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?

There is evidence to support the need and benefits of part-qualifications and skills sets. Skill sets are supported to meet legislative and industry led requirements, for example the skill set to register Business Activity Statement (BAS) Agents; cabler registration skill sets for the telecommunication industry; and readiness skill sets required for the national broadband network.

Part-qualifications are also largely supported by the Industry Skills Councils, as well as the members of SWSi's Institute Advisory Council. As SWSi has recommended *Method 2* where price is based on units of competence, fees for part- qualifications can be easily and transparently priced. SWSi supports the appropriateness of sharing the costs of part-qualifications between students and tax payers in the same way as full qualifications.

Fees for apprentices and trainees (Q 17)

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?

SWSi advocates a flat fee for qualifications based on the sum of costed units of competence be maintained and that the student fee should be a percentage of the total cost calculated for the qualification, based on the units selected. As the paper suggests, apprentices and new entrant trainees will have a capped fee that will need to be consistent across Certificate II and III.

SWSi also recommends the student fee for apprentices and new entrant trainees is at a lower rate (e.g. 10%) than for students who do not fit this category, with fee payments to be staged at the determination by the RTO.

Concession fees (Q 18)

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?

SWSi strongly supports the implementation of concession fee arrangements in the entitlement model. This is particularly important due to the very high levels of disadvantage and demographic profile of the south western Sydney region, as previously outlined. For example, since 2008 SWSi has consistently experienced in excess of **65%** of enrolments receive a concession or an exemption. This equates to approximately **48,000** students, therefore the ability for students to continue to have access to concession arrangements is paramount to ensure that they are not deterred from participating in vocational education.

Continued engagement in education is critical, particularly for the south western Sydney region where government investment into VET training is vital to assist the participation and growth in the labour market. SWSi has identified there is a high risk to skills development, productivity and

economic growth if student concessions and exemptions are not made available to disadvantaged and low income earners.

SWSi recommends the concession fee be the same regardless of the qualification level to ensure equity and access to vocational education and training for disadvantaged students into all qualification levels, especially higher qualifications.

RTO payment stages (Q 19)

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?

It is in NSW's best interests to maintain a viable VET sector. Payments to RTOs should be made on completion of each unit of competence. This would discourage RTOs from enrolling large numbers of students who will not complete. It will also reduce reconciliation efforts for RTOs and STS whereby students are not attending at the half-way point.

Completion by unit of competence will better align to actual delivery. Prompt payment to the RTO will ensure cash flow will be continuous, rather than in blocks. Payment by unit will better match to cost of delivery. It is recommended payment to the RTO be arranged fortnightly.

This proposal will require the establishment of an excellent business system to manage billing and funding.

Student payment stages (Q 20)

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

SWSi supports the ability for a student to pay their fees in a staged approach over a period of time. The method for staged or periodic payments is considered to be a business decision by the RTO. Payment in stages should also be considered for students who are undertaking a government-subsidised qualification, but are not eligible for an entitlement.

Payment for ATTP and SSP (Q 21)

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?

SWSi does not support maintaining the current payment arrangements under the Apprenticeship and Trainee Training Program (ATTP) and Strategic Skills Program (SSP). In many cases the delivery has been completed well before the mid-way or final payments are received, and this results in cash-flow issues for RTOs which will have an effect on ability (or desire) to deliver qualifications. It is recommended payment be made to the RTO on completion of each unit of competence (successful or unsuccessful) as per *Method 2*. The payment by unit of competence methodology is more transparent.

SWSi supports the ability for a student to pay their fees in a staged approach over a period of time. The method for staged or periodic payments is considered to be a business decision by the RTO.

Review of prices and management of prices between reviews (Q 22-24)

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?

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?

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?

SWSi recommends an initial review after 12 months with subsequent reviews of the methodology for setting prices and fees for government-funded VET undertaken every three years. It is important that the outcome of these reviews is implemented in sufficient time for students and industry to make informed decisions about their intended program of study. It is also recommended an appropriate adjustor between reviews for all fees and charges be linked to CPI or a minimum of 2.5%.

SWSi suggests it is too early to determine if it is appropriate for a range for the student fee for each qualification to be considered.

Relaxation of fee regulation (Q 25)

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

SWSi does not recommend relaxing fee regulation as this may lead to a potential for price collusion and/or erosion of quality for students.