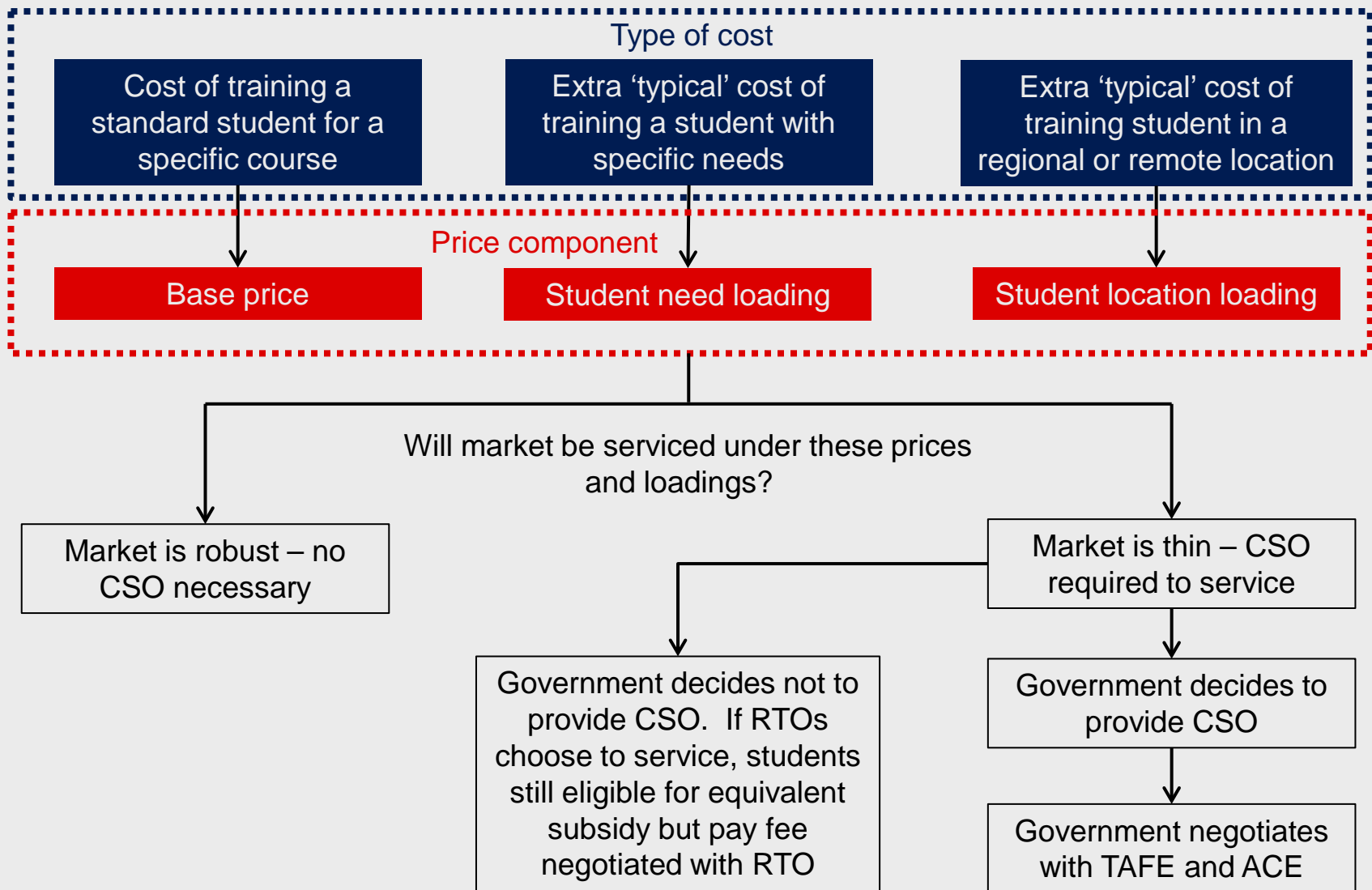


Pricing VET under Smart and Skilled – Draft Report

Stakeholder Roundtable

20 August 2013

Base prices, loadings and CSOs



Base prices

Base prices reflect:

- ▼ The '***efficient costs***' of providing training
- ▼ To a '***standard student***'
- ▼ To the '***required quality standard***'

What types of costs should be captured through base prices?

- ▼ Base prices should include:
 - ▼ Teacher costs
 - ▼ Course specific costs
 - ▼ Shared costs
- ▼ Capital costs captured through a margin on operating costs
- ▼ Base prices should not vary by mode of delivery

Base prices (cont'd)

- ▼ Estimated fixed cost for 5 qualification levels
 - ▼ Range from \$500/enrolment (Foundation) to \$4,400/enrolment (Diploma and Advanced Diploma)
- ▼ Estimated variable cost for 25 industries
 - ▼ Range from \$4.25/hour (sport and recreation) to \$11.81/hour (vehicle body)
- ▼ Calculate price per qualification as fixed + variable costs based on typical combination of UoCs
- ▼ Seeking comment on a list of 'high cost' UoCs

Loadings

- ▼ Loadings applied to base prices to reflect the ***average (or typical) additional cost*** associated with providing training to high cost learners
- ▼ Location loading – 10% regional 20% remote
- ▼ Needs loading – 10% for ATSI, disability and long-term unemployed students
- ▼ 1 location loading and 1 needs loading per student

CSOs and thin markets

- ▼ CSOs to be used in thin markets
 - ▼ Base prices and loadings are not sufficient to cover costs
 - ▼ May be due to lower than usual student numbers or higher than usual student costs
- ▼ Identify thin markets by testing whether RTOs are willing to provide training for base price and loadings
- ▼ Government to determine where it wants to provide CSOs to ensure the training is provided
- ▼ If government does not want to provide CSOs, student should still get equivalent subsidy for base price and loadings.

Roundtable discussion

- ▼ Do you agree with our draft recommendations on how the efficient costs of training should be captured through base prices, loadings and thin markets/CSOs?
- ▼ Do you agree with our draft recommendations on the levels of \$/nominal hour by industry, the \$/enrolment by qualification level and % loadings for student location and student need?
- ▼ Are there other high cost units of competency that you can identify and what premium should be applied to these?

Student fees and government subsidies

- ▼ Base prices will be recovered through student fees and government subsidies
 - ▼ VET generates private and public benefits
 - ▼ We estimated *financial* benefits
 - ▼ Compared resulting fees and subsidies to comparable qualifications at university
- ▼ Recommend students pay 40% of base price in fees with remaining 60% covered by government subsidy

Student fees and government subsidies (cont'd)

- ▼ Recommend for subsequent qualifications students pay 45% of base prices with 55% covered by government subsidy
- ▼ Recommend students pay 10% of the costs of foundation skills courses
- ▼ Recommend approach to pricing part qualifications and skill sets be the same as for full qualifications

Impact on students

- ▼ Impact on standard fee varies:
 - ▼ 16% fee decrease in lower-cost courses and/or student fees close to recommended share of base prices
 - ▼ 24% fee increase of less than \$500 per qualification (or less than \$250 per year)
 - ▼ 37% fee increases of \$500 to \$1500 per qualification (up to \$750 per year)
 - ▼ 22% fee increases more than \$1,500 per qualification (more than \$750 per year) in high cost courses and/or student fees lower than recommended share

Roundtable discussion

- ▼ Do our draft recommendations appropriately balance the affordability and availability of VET?
- ▼ If not, given the same amount of government funding, would stakeholders prefer:
 - ▼ a lower contribution for initial qualifications (ie less than 40%) and a higher contribution for subsequent qualifications (ie more than 45%)?
 - ▼ lower contributions overall with fewer students able to access government-funded training?
 - ▼ a lower contribution than 40% for higher priority (ie higher skills need) qualifications and a higher contribution than 40% for lower priority qualifications?
 - ▼ Other options?

Roundtable discussion (cont'd)

- ▼ Lower level qualifications (Certificates I and II) don't appear to lead to improved employment outcomes. How important are they in a pathway context? Would it be feasible for students to undertake foundation skills courses until they are ready to start a Certificate III or IV, assuming they could access appropriate learner support?
- ▼ Is there any evidence that the level of fees affects completion rates? Eg would students feel more invested in their training if they were required to pay more for it – or are other factors influencing non-completions far more important?

Apprentices and new entrant trainees

- ▼ Recommend approach to recovering base prices apply for all VET, including apprenticeships and new entrant traineeships
- ▼ Implies large increases for apprenticeships
 - ▼ These are typically in high-cost industries
- ▼ Recommend a cap on fees for apprentices and trainees of \$3,000 per qualification
 - ▼ Increased by \$1,000 each year until consistency is reached

Concessions

- ▼ Recommend students eligible for a concession fee continue to receive additional subsidy
- ▼ Recommend a fee per qualification
 - ▼ Foundation courses – either \$100 per course or the standard fee, whichever is lower
 - ▼ Certificates I and II – \$200 per qualification
 - ▼ Certificates III and IV – \$400 per qualification
 - ▼ Diploma and Advanced Diploma – \$500 per qualification.

Roundtable discussion

- ▼ Our analysis indicates that apprentices face not greater levels of socio-economic disadvantage than other VET students. What other evidence is there of differences between apprentices and other VET students that would justify different treatment?
- ▼ Are there any other transition measures that the IPART should consider for apprentices and trainees?
- ▼ Do you agree with our proposed approach for concession fees where a higher subsidy is provided compared to standard students and fees vary by qualification level?

Next steps

- ▼ Submissions on draft report due Tuesday 27 August 2013. Late submissions will not be accepted.
- ▼ Final report provided to Minister for Education end-September 2013.
- ▼ Government will decide on levels of base prices and student fees to be implemented under Smart and Skilled.



Independent Pricing and Regulatory Tribunal

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