

Microeconomic Reform

Submission by Australian Council for Private Education and Training (ACPET) on behalf of the private providers of education and training services in Western Australia.

The Australian Council for Private Education and Training (ACPET) is the industry association representing quality independent providers of education. ACPET's 1,100 members comprise institutions which offer a diverse range of vocational education, higher education, English language training, foundation studies and primary/secondary schooling. Members range from large publicly listed companies to sole operators specialising in niche markets. ACPET's focus on high standards means only quality independent training organisations are admitted as members. These members must adhere to the ACPET Code of Ethics and are encouraged and rewarded for regularly participating in professional development activities.

Members of ACPET in Western Australia range from the very large such as NAVITAS, the 5th largest listed company in Western Australia, to very small single operators and not for profit organisations.

The education and training industry is the 4th or 5th (depending on commodity prices and the value of the dollar) largest export earning industry in Australia. A fact that many people overlook is that the Tourist Industry which is a much lower ranked export earner depends heavily on the overseas student market. It is a very significant source of international tourists and is a potentially potent marketing force for Australia as a destination.

Key Areas For Reform.

1. Skills Reform

There is already a national recognition that the training and education industry would benefit greatly from economic reform. Reforms for the skills sector of the industry have been agreed by COAG and it is now up to each State and Territory to implement these reforms. Victoria and South Australia have already implemented the reforms. Victoria made a couple of significant errors in the early implementation which saw some unintended outcomes but have moved to rectify these. There is a very comprehensive evaluation of the skills reform initiatives in Victoria which highlight amongst other things:

- Increase in total VET delivery.
- Small increase in TAFE delivery but a dramatic increase in delivery by private RTOs.
- Reduction in the cost per student outcome and the cost of delivery has reduced substantially.
- Commencements and more importantly completions by all disadvantaged groups have increased dramatically and virtually all of the increases are as a result of private RTO activity.

The Western Australian Government has announced the launch of its version of skills reform, Future Skills. Unfortunately, from the limited detail released to date it appears they will continue to protect the inefficient TAFE providers and limit the involvement of private providers. In fact it is almost certain that some small providers will be forced out of the market by the proposed arrangements that have been released to date.

There appears to be a movement of government funding from entry level training and for those least able to pay while providing more training for qualifications connected to industry sectors where the capacity to pay is greatest. The documentation released by the Department of Training and Workforce

Development states that students contribute 8% of the total cost of providing training and that the Government meets the remaining 92% of the costs. When student fees were first introduced into the VET system in Western Australia when Cheryl Edwardes was the Minister, students were expected to pay 15% of the total cost of their training. The argument at the time was that ultimately the cost of training would be split between the three key beneficiaries, student s, government and industry. There was a realisation that the government would cover part of the student contribution while it was slowly increased from 15% to closer to 33%.

State Government policy appears to have moved significantly to where today the contribution of industry is not even considered and Government appears to be providing the greatest amount of funding to deliver qualifications to those industry sectors most able pay, especially the mining and oil and gas industries. There are a number of examples of where significant employers in banking and mining have reduced their commitment to training and shifted the cost to the public system. In New South Wales there is concern about the effect the introduction of skills reform will have on the TAFE system. NSW TAFE is certainly less well placed to deal with competition. ACPET is working with the NSW Government to find a way of implementing the changes staged over three to five years. The same or similar process could be adopted in Western Australia to stage the implementation over three years. It may give the providers a level of certainty that does not appear to be part of the current plan.

In summary, it appears that the Department of Education is making significant structural changes to the funding of schools in response to this year's tight budget. The Department of Training and Workforce Development is introducing Future Skills as a response to both the budget constraints and the national agreement on skills reform. However once the details are released it would appear that Future Skills is being introduced in a way that further protects the inefficient public sector. The focus on public money being targeted at higher qualifications in the industries best able to pay for training but listed as priority skills means that the biggest and most profitable companies continue to get a skilled labour force paid for by government with little contribution from industry.

2. The productive use of public training infrastructure.

There has for many years been concern about the low utilisation rates of public training infrastructure. An attempt was made to increase the utilisation rate some years ago with the concept of third party access. The initiative failed because the setting of charges and allocation of times was left with the TAFE Colleges. There were stories of private providers who sought access to facilities being offered use of the facilities but at unfriendly times and at ridiculous fees.

Queensland has started discussions about moving the assets to an asset management agency which would be charged with maximising the productive use of facilities. This has the potential to free up access and increase utilisation rates. One of the challenges will be to reposition the facilities in the market to be seen as public training facilities not just TAFE facilities. This was an added barrier to third party access in Western Australia, private providers wanted to differentiate themselves not be seen as part of TAFE.

There are some obvious examples of poor utilisation of public infrastructure. In Northam the TAFE College has a very large area of vacant land which could be put to community use. There have been proposals developed for alternative uses which would not interfere with the basic running of the College. There are always obstacles put in the way of any of these initiatives. Central Institute in Northbridge is probably one of the better utilised facilities but as the surrounding area is busiest at

night and weekends it is a stark reminder that Colleges operate Monday to Friday and predominantly 8am til 8pm.

In summary ACPET members believe that there should be an urgent review of the utilisation rates of public training infrastructure to find more creative ways of providing student and community access. Also the pool of money currently only available for public infrastructure should be opened up to any provider needing infrastructure investment to improve the range and quality of training provided in Western Australia.

3. Industry Advice

The VET sector relies heavily on obtaining industry advice about workforce development, future jobs and skill shortages. The State Training Board then makes recommendations about where the Government should prioritise its spending. ACPET has repeatedly advocated for industry advice to be based on all training and workforce development activity not just the publicly funded portion which is less than 50% of total activity. This approach further reinforces industries belief that training is something that the State funds rather than that it is industries responsibility and the State should provide support in areas where the market has failed to provide or respond.

The other area in urgent need of reform is the timeliness of advice. Some of the sector advice is based on 2008 data and it relies on a lot of butchers paper and brainstorming activities. There is an urgent need to obtain timely information using IT based collection strategies. (This does not include survey monkey.)

4. Other Areas for Reform

There are a number of other areas for reform in the education and training industry. However these are not solely the responsibility of the State and require more complex negotiations with the Federal Government and COAG. One area that ACPET is starting to review is in the area of apprenticeship and traineeship funding and support. ACPET is also lobbying very hard to reform the international training and education arrangements especially the current visa arrangements. Higher Education reform is also on ACPET's agenda.