It is a pleasure to join you on the final day of your national conference for my first of what I hope will be many addresses to this august gathering.

As you all appreciate, vocational education is central to Australia’s economic growth, to our business productivity and to employment outcomes.

A strong and prosperous economy that delivers the jobs Australian families and businesses want requires a well-functioning VET system that delivers the skills we need. That’s why it sits as one of the four pillars of our government’s Competitiveness Agenda.

Giving people the skills they need for modern workplaces enables them – not only to pursue their choice of vocation – but to succeed in a rewarding and profitable career. It also gives Australian businesses confidence that they can get the highly skilled workers they need to innovate and compete in an increasingly global and competitive marketplace.

As a longstanding and valued part of the VET system, TAFE recognises this and has already, in many cases, changed and adapted in order to meet the demands of our modern economy.

I’ve been heartened to see VET feature so strongly in national commentary at the moment.

Just last month, 90 corporate, union, welfare, economic and academic leaders came together for the National Reform Summit. The 17 page document produced at the end of the Summit called for reform of tertiary education – including TAFE and vocational education and training – to provide qualifications relevant to current and future market requirements.

The mismatch between the qualifications on offer – and the qualified employees business needs – is a regular reference in public commentary and this summit was no exception.

This groundswell of public interest in the VET space coincides with some key milestones. The National Partnership Agreement on Skills Reform is moving into a review stage in advance of its expiration in 2017. The spirit of contestability upon which that NPA is founded is being tested, as we have seen in South Australia. Simultaneously, a debate around Federalism continues and, as was clearly demonstrated in the communique out of the First
Ministers Meeting of COAG, there is a mood toward change when it comes to the management of VET policy responsibility.

It is in this context that I will spend some time today looking at the current environment, the debate around federation and outline to you the benefits I believe can be garnered through a united, national approach. I’ll start with an assessment of the current picture.

Our starting point, for the purposes of the federation debate, is the existing system where each state and territory has its own VET system with different rates of subsidy, different approved provider processes, different qualification lists and different funded programmes.

While it is important for states and territories to address local and regional skills needs and priorities, such a diversity of systems leads to confusion for students and businesses.

VET providers and employers that operate across jurisdictional boundaries must deal with different reporting obligations, different contractual requirements, different pricing and even different course duration requirements.

Public, community, private and enterprise RTOs are funded by eight increasingly-divergent state and territory VET systems with different fees, different rules for accessing government-subsidised places, differences in implementation of the ‘national entitlement’ to a training place, as well as different regulatory systems for those operating in Victoria and Western Australia.

The fact that the states run their different subsidy schemes and the Commonwealth runs programmes such as apprentice incentives, foundation skills programmes and VET-FEE-HELP, makes it difficult to align incentives and ensure coverage without duplication.

This year the Commonwealth is investing around $6 billion in VET, including $1.8 billion in direct funding to States and Territories to support their training systems, including TAFE.

The next largest source of Australian Government funding flowing into VET continues to be via income contingent loans that enable students to undertake higher level diploma and advanced diploma training through the VET FEE-HELP scheme, without up-front fees.

As is widely understood, the VET FEE-HELP programme has witnessed significant growth since changes were made in 2012. This is as true in the TAFE sector as in the private sector. Since 2009 with the number of TAFE students accessing VET FEE-HELP increased from 2,400 to just over 59,000 in 2014. This represents a total cumulative value in VET FEE-HELP loans over six years of $770 million. The estimated 2015 funding for TAFEs via VET FEE-HELP is $381 million – an increase of 433 per cent since 2011.

It is our shared job – as custodians of the VET sector – to ensure that every dollar invested into VET by state or federal governments, students, parents, employers or others is getting the best results for these students and the wider economy.

In 2013, 52 per cent employers used the VET system to meet their training needs. On current estimates around three million Australians each year choose to participate in vocational education and training — around one million of those through the TAFE sector.
We know that currently, around 1.4 million students are in government-subsidised training places, including around 300,000 apprentices and trainees. In 2014, around 240,000 students did VET courses as part of their secondary schooling, which helps many of them move successfully from school to work.

VET is also an important part of Australia’s international education market with 150,000 overseas students studying vocational education in Australia in 2014. People choose VET because VET offers people more choice and mobility in the workforce. VET also supports people to move from industries that are being restructured, to up-skill or to re-skill. The current package to support the automotive manufacturing industry includes $30 million to recognise existing employee skills, complement them with new skills and help them take those skills to other industries in need of their expertise.

VET also helps fill gaps in people’s foundation skills and offers a safety net for those who don’t do so well at school and who disengage from the workforce.

It helps senior secondary students progress their post-school pathway; whether that be a head start in acquiring a VET qualification, a school-based apprenticeship or skilling them up for a direct pathway from school to work.

VET also plays an important role in supplementing higher education training — adding important technical and higher level skills that are extremely valuable in our modern job market. In 2014, six per cent of subsidised VET students already had a Bachelor degree or higher qualification, and more than eight per cent of higher education students had completed a VET qualification before commencing their higher studies.

At its heart, vocational education and training is about providing employees or potential employees with the skills for a job ... a pathway into employment or into enhanced employment opportunities.

Vocational education is also central to business start-ups. According to 2011 Census data around 23 per cent of business owners have a bachelor degree or higher, while nearly 40 per cent hold a certificate level qualification, diploma or advanced diploma. This demonstrates that VET helps to drive our national innovation, productivity and competitiveness.

Our Government is committed to creating more jobs and growth across our economy, which is exactly what a well-functioning VET system delivers Australians, helping more students on their path to successful employment and more businesses to find the right employees with the right skills to meet the business needs of today and tomorrow.

Though there are already many strengths inherent in our VET system, we would all agree that there are challenges ahead – and that we need to strengthen the system if we are to meet these challenges and thrive into the future.

Perceived and real quality issues plague a number of providers. Although TAFE generally enjoys a reputation for dependable, quality training, businesses often tell me that it is not always agile enough to adapt to industry needs.

On the flip side, where some private RTOs are certainly agile - and most provide similarly high quality training outcomes - we have seen concerning stories highlighting an abuse of
state subsidies or VET FEE-HELP amongst some. The recent and ongoing reforms I have announced to VFH will address many of these concerns, but I can assure you that I will continue to monitor the impact of our governments VFH reforms and that I will go further if needed.

Beyond changing a particular funding program here or there, or launching the odd new one, there is potential for us to make significant structural changes to how the VET system operates, so that it is even stronger and more responsive to the needs of the millions of people who use it.

The time is right for a serious discussion about how our Federation works and how reform of the Federation can secure an even stronger VET system.

That discussion has started. The Reform of the Federation White Paper process is underway. A number of issues and discussion papers have been released. A Green Paper is due to be released soon and the White Paper is due in the first half of 2016.

As clearly outlined in the Communique from the Leaders Retreat in July, the Prime Minister, First Ministers from each state and territory, and the President of the Australian Local Government Association, all agreed to consider a shift in responsibility for VET to the Commonwealth — provided that states and territories could elect to remain TAFE providers within a national system.

If we go back into the history books to the very beginning, it is clear that little has changed — Federation was born of a number of ideas and needs.

Though the very notion of a Federation was hotly contested leading up to 1901, it was Henry Parkes — often called the ‘Father of Federation’ — who in 1889 called for the colonies to “unite and create a great national government for all Australia”.

Looking at the different VET systems on a state by state level, this message remains relevant today.

Even at the time of Federation there were a number of technical education institutions throughout the six colonies. Some were independent of government control; others were established by Acts of Parliament to be partly public and subscription-funded organisations. While there were many changes with Federation, States continued to run schools and the technical education system.

This remained the case until greater Commonwealth involvement in VET by Malcolm Fraser in the 1970s – with the exception of brief interventions by the Commonwealth during the first and second world wars, when it was necessary to provide a workforce to support the war effort and post-war reconstruction.

And then, in the 1990’s, many of you here today will recall the significant mood for a Commonwealth shift to assume full responsibility and funding for TAFE and other post-secondary education and training.

The proposal aimed to establish a consistent, national VET system to ensure graduates would hold highly valued, nationally portable qualifications… This all sounds very familiar!
And yet, when agreement could not be reached, a compromise was implemented, because the importance of a national approach was still clearly apparent. In retrospect, it is evident that a number of the problems ‘we’ in the VET sector – including the employers who access the VET sector – manage now on a daily basis have resulted from compromise.

The failure to move to a unified, Commonwealth-led system in 1992 can be viewed as a missed opportunity; one which would have increased the efficiency and harmonisation of the Australian VET system. But perhaps the time was not right and the preconditions for Commonwealth control were not in place.

In my opinion, we need to learn from this lesson and ensure that a more streamlined, national VET system results from the discussions that have already begun on Federation. As the Federal Minister responsible for VET, I was pleased to see that this important progress was supported by the Prime Minister and First Ministers in July. Assuming their ongoing support, and in collaboration with my State and Territory counterparts, I will continue to progress these discussions to ensure the best and most unifying outcome.

After the failed discussions for a national VET system in the 1990’s, a series of developments took place which still shape the environment we work in today: the introduction of a National Training Wage in 1994, the New Apprenticeships System in 1998, the establishment of the Australian Qualifications Framework, followed by the development of ASQA.

And the latest in a series of Commonwealth/State financial agreements is the National Agreement for Skills and Workforce Development in 2009 and the National Partnership Agreement on Skills Reform that all States and Territories agreed to in 2012.

The National Agreement for Skills and Workforce Development outlines the roles and responsibilities of the Commonwealth, states and those responsibilities which are shared - a little like a VET specific version of our national constitution!

Meanwhile, the National Partnership Agreement provides funding for a national, high quality and accessible training system that, theoretically, offers a national entitlement to a government subsidised training place in a more contestable training market.

It is under this National Partnership on Skills Reform that the Commonwealth is providing $1.8 billion this year to support the states and territories to fund their training systems, including TAFEs.

So, just as there was much debate about Federation, there is also a long history of discussion about the best way the states and the Commonwealth can work together to skill Australians. Much progress has been made in the last twenty years, which is a credit to many in this room, but the nature of these agreements is that they are too often vague or internally inconsistent and too easily allow major differences in approach or dramatic changes in direction to occur. Perhaps nothing exemplifies this more than the National Partnership Agreement on Skills Reform and the recent developments in my home state of South Australia.

The South Australian Government’s new WorkReady programme is limiting student and employer choice and, by doing so, is significantly unwinding progress SA had made under the National Partnership Agreement, which then Prime Minister Gillard and current Premier Weatherill signed in 2012.
Through this agreement, all governments have signed up to a more competitive VET system and to supporting TAFE to be able to operate in a competitive environment.

I note – and welcome – TDA’s recognition that, as I quote from your submission to the Senate Inquiry into the operation, regulation and funding of private VET Providers in Australia, that “Competition hones our performance and sharpens out minds to the changing needs of students, employers and, indeed, the broader economy”. It is exactly this attitude that will hold TAFE in good stead going forward and I congratulate you for it.

Having this opportunity to talk directly with you all here today, I want to be very clear: My concerns with SA’s WorkReady policy are not based on a preference for TAFEs or for non-government providers, because both deliver excellent training in many areas. We simply want to empower students and employers to access the highest quality, most cost effective, job relevant training that they can. I know what an important part TAFE plays in offering this choice and, most likely, always will play in it.

In considering the merits of South Australia’s WorkReady policy I invite you to put yourselves in the shoes of your competitors. Only 10 per cent of the 51,000 new subsidised training places available in 2015-16 will be allocated to non-government providers. Based on data the SA Government has finally provided to me, this approach will see TAFE SA secure the highest number of subsidised places for any year of the National Partnership Agreement or the year prior. Conversely, non-government providers in SA will compete for the lowest number of places offered in any year of the NPA or the year prior.

No matter what policy reforms may be promised for future years, there is no doubt that the WorkReady policy has created a boom-bust environment for non-government providers and savages the progress made on student and employer choice in the state with the highest unemployment rate in Australia.

I have met and listened to students, employers and training providers in South Australia about their concerns with WorkReady and I am actively evaluating measures that may ameliorate its impacts.

I do appreciate that we all operate under budgetary limitations and acknowledge the unsustainable nature of some earlier policy approaches, but I will continue to urge the Government of South Australia to not to lurch from one policy extreme to the other.

This is important to me as a South Australian senator, and as the Australian Government Minister responsible for skills and training. This is why I have asked SA Minister Gago to re-write SA’s implementation plan under the NPA. I am serious about delivering effective choice for students and employers, including the right to choose a high performance TAFE provider. I know that many of you are also serious about it and have already spent time, money and effort successfully adapting to a competitive VET market.

We are, indeed, at a significant juncture. The NPA expires in 2017, and a review is already underway in order to assess the best way forward.

And as I mentioned earlier, this intersects the Federation debate and having been just a little harsh thus far in my comments regarding the South Australian Government, let me pay
tribute to the constructive approach shown by SA Premier Weatherill to date in discussions about the future of the Federation, including a national approach to VET.

We’ve come a long way since the debate of the 1990’s. Times are changing rapidly — technology is changing, economies are changing and becoming more global — and we need to be able to move with the times if we are to remain competitive.

For the future of VET, it has never been more important to have a discussion about how we can secure our national prosperity, with a robust, high quality, relevant, responsive and truly national training system, in which states can choose to operate world class TAFE institutes.

We need to talk seriously about the distribution of roles and responsibilities to deliver the best outcomes for everyone who uses our vocational education and training system. And we have to do this in a way which is consistent with our fiscal strategy.

A national system should lead to more clarity, enhanced certainty, greater consistency and better accountability, as well as increasing efficiency and choice.

Any national approach must ensure the VET system is flexible and responsive enough to meet local and cross-border requirements, helping people to fill the jobs that our economy - from a national to a regional level - offers now and into the future.

A number of facts suggest that a national VET system would create benefits for businesses, training providers and students. We know that 60 per cent of businesses with 200 or more employees operate in more than one state or territory.

Despite the fact that over half of all providers are approved to deliver training across multiple states, relatively few providers deliver subsidised training in more than one state. This strongly suggests that accessing subsidised training markets in multiple jurisdictions is difficult and laden with red tape or multiple compliance hurdles.

Yet, despite some differing requirements and skills needs from one state to the next, most states subsidise many of the same qualifications.

Addressing these kinds of challenges is at the heart of the Reform of Federation process.

A truly national system would reduce duplication of programmes run by the Commonwealth and the states and ensure better targeting of emerging skills needs and specific national priorities.

By placing control of all of the funding levers — the setting of fees, payment of subsidies, and lending of income-contingent loans — with one level of government, we would promote accountability in the system and could create a more effective market, driven by students rather than providers, than we’ve seen to date.

We could also better link the VET system and higher education, welfare services, and employment. We would be able to provide greater equity in the way the courses are funded.

Looking to the future, we need to play to our strengths and know our limitations.
Australia is only a small country in population terms. Yet economically we are the 12th largest world economy by GDP. We have a high-quality training system that has a great reputation at home and abroad, but it can be even better, with reduced complexity, greater choice to consumers and a responsiveness that ensures our future workforce has the right skills at the right time.

National employers are tired of multiple rules, requirements and paperwork, just as national RTOs are. A national approach would further drive the industry led approach training that is central to other reforms I am pursuing, in areas like the future development of Training Packages.

Through the Federation White Paper process, we are working towards a more efficient system of government, where everyone understands their role.

As I said earlier, there is general agreement to this approach as it relates to VET.

The Leaders’ Retreat agreed to consider a shift in VET responsibility to the Commonwealth, provided states and territories could elect to remain TAFE providers within a national system.

We all want a VET sector that ensures training helps young people to get jobs, as well as providing pathways for workers to transition between careers.

Over coming months, we will carry out consultation to ensure that this process is inclusive, collaborative and consensus-driven. And I will ensure that TAFE Directors are at the table of these consultations.

It is time now to take the next steps towards a national approach that gives the next generation the skills necessary for the jobs of tomorrow, and to secure our future prosperity.

While there is a lot of work ahead of us, I believe we are up to the job.

Together, I believe we can make real improvements to our vocational education and training system that will give everyone a stronger future.

Now is the time for you to tell us what is important to you as providers of vocational education and training and, in your experience, what works and what doesn’t.

The Federation process is about looking at ways that we can work together, and to work better.

We are focussed on getting the most out of our collective investment in education and training.

There are so many opportunities that can be realised by getting this right and I am determined to see this through.

I look forward to working with you all to progress these discussions in a way that helps deliver an even stronger VET sector, in which TAFE remains a vital contributor to the future of students, employers and the Australian economy.