The political debate over education needs to switch from a preoccupation with universities to badly needed trades training, according to Business Council of Australia chief executive Jennifer Westacott.

"We’ve got to stop the erosion of the VET [vocational education and training] sector. We cannot continue to allow the VET sector to fall into disrepair," she told the TAFE Directors Australia national conference in Sydney on Monday.

The number of students in vocational education and training fell 3.4 per cent in 2013 and the number of apprentices and trainees sponsored by business has fallen 17 per cent in the last two years following the withdrawal of some federal government trainee subsidies. TAFE colleges in particular have suffered as state governments have cut funding and expected them to compete with private colleges.

But the states have followed different paths in the degree of competitiveness in their vocational education market.

Ms Westacott said if TAFEs were to thrive in a competitive environment then "you have to free up the public system". "If people have got their hands tied behind their backs on assets, on quality, on staffing matters - then they can't compete. Their cost structure will be, by definition, higher," she said.

Ms Westacott said she believed it was very important that TAFEs continue to play a major role in vocational education.

"What we don’t want to see is a market design in which the TAFE system ends up being the residual provider and only providing the things that aren’t attractive to private providers," she said.

She also said that vocational education should not be a completely free market.

"It’s got very thin markets in terms of location, in terms of qualifications, as well as people who need additional support," she said.

The Australian Chamber of Commerce and Industry’s employment, education and training director, Jenny Lambert, told the conference that the key to success in a competitive market was better information.

"If we can get a better informed market then contestability will achieve the quality that we are all hoping for," she said.