



COMMONWEALTH OF AUSTRALIA

## Proof Committee Hansard

# HOUSE OF REPRESENTATIVES

STANDING COMMITTEE ON EDUCATION AND EMPLOYMENT

**Role of technical and further education system and its operation**

(Public)

WEDNESDAY, 19 MARCH 2014

CANBERRA

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**HOUSE OF REPRESENTATIVES**

**STANDING COMMITTEE ON EDUCATION AND EMPLOYMENT**

**Wednesday, 19 March 2014**

**Members in attendance:** Mrs Andrews, Ms Bird, Mr Hawke, Mr Ewen Jones, Ms MacTiernan, Mrs McNamara, Ms Sudmalis, Mr Williams.

**Terms of Reference for the Inquiry:**

To inquire into and report on:

The role played by TAFEs in:

- the development of skills in the Australian economy;
- the development of opportunities for Australians to improve themselves and increase their life and employment prospects;
- the delivery of services and programs to support regions, communities and disadvantaged individuals to access training and skills and through them a pathway to employment;
- the operation of a competitive training market; and
- those jurisdictions in which State Governments have announced funding decisions which may impact on their operation and viability.



**WITNESSES**

**CAVEN, Ms Pamela, Director Policy and Stakeholder Engagement, TAFE Directors Australia ..... 1**  
**MARRON, Mr Adrian Gerard, Member, TAFE Directors Australia..... 1**  
**RIORDAN, Mr Martin, Chief Executive Officer, TAFE Directors Australia ..... 1**



**CAVEN, Ms Pamela, Director Policy and Stakeholder Engagement, TAFE Directors Australia**

**MARRON, Mr Adrian Gerard, Member, TAFE Directors Australia**

**RIORDAN, Mr Martin, Chief Executive Officer, TAFE Directors Australia**

**Committee met at 11:34**

**CHAIR (Mr Ewen Jones):** I declare open this public hearing of the House of Representatives Standing Committee on Education and Employment and welcome representatives of TAFE Directors Australia. Although the committee does not require you to give evidence on oath, I remind witnesses that this hearing is a legal proceeding of parliament and warrants the same respect as proceedings in the House. The giving of false or misleading evidence is a serious matter and may be regarded as contempt of parliament. The evidence given today will be recorded by Hansard and will attract parliamentary privilege. I invite you to make some brief introductory remarks before we proceed to questions.

**Mr Riordan:** Thank you very much, Chair, and committee. I would like to make a short statement. Firstly, TAFE Directors Australia very much appreciates the invitation to appear before the committee at this early stage of hearings. We are the representative body of Australia's 61 TAFE institutes, of which there are six dual sector members that have TAFE divisions with the universities. We enrol 1.6 million public vocational students a year and there are probably another 450,000 or 500,000 that are enrolled in fee-for-service type course. With our representation across city, suburban, rural, regional and remote—of some 1,000 locations—TAFE truly is and remains Australia's public provider network for technical and vocational education. In fact, we deliver over 80 per cent of advanced technical skills, including apprenticeships and trainees, which are largely seen as high-investment areas and has not attracted the focus of private colleges.

Commonwealth government is a hugely influential stakeholder for skills and vocational education, particularly through areas like the national partnership agreement in skills and in particular areas of intervention with apprenticeships and similar areas and also vocational courses in schools, which is an increasingly popular area. The funding is interesting. While states might have contributed \$3.9 billion—I think that was the previous financial year—the Commonwealth contributed \$2.2 billion, and out of the total cake of \$8.6 billion, it certainly represents a higher than one-third component of funding from the Commonwealth to skills places.

**Ms MacTIERNAN:** Could you give the state figure again? Was it \$3.9 billion?

**Mr Riordan:** It was \$3.9 billion—and that is out of NCVER. The balance is made up from fees, student loans and training for commercial services.

It is a particularly poignant time for an inquiry like this to be reactivated. It is the 40th anniversary since the Commonwealth inquiry by Kangan of technical and vocational education in Australia. It was of course that inquiry that in fact laid the vision and the framework of a public provider network and the formal creation of the TAFE network in Australia. Through good times and not good times economically, there has been, I think, a demonstrated strong response by TAFE—which is embedded in state and territory legislation. In fact, TAFEs report directly through those jurisdictions into their economic plans for productivity. I think there was a survey that indicated that one in five Australians have either directly or indirectly had contact with TAFE. In most recent surveys conducted last year by TAFE Directors Australia and our sister body in Victoria, we surveyed Queensland and Victoria, and TAFE was overwhelmingly very highly regarded—and in fact regarded most highly by industry—in terms of the trust to the qualifications.

We feel somewhat sympathetic to recent statements by the Minister for Education, Christopher Pyne, and statements by the industry minister in terms of the very high focus in the past number of years in terms of universities. And we feel that perhaps this was an opportunity to refocus in terms of skills and how skills relate to productivity, given that that seems to be a continuing challenge for Australia—to revamp and re-drive productivity.

We also note that within the terms of reference in terms of operating within a competitive market TAFE does not operate just at a domestic level; it has a very large footprint in the region. Certainly Minister Andrew Robb, the trade minister, has indicated that in his target of trying to increase international education vocational education and particularly TAFE will figure largely within the process. In fact, next week I will be in Jakarta as part of a three-year bilateral mentoring agreement between TAFE and the Indonesian polytechnics, in which Minister Bird was instrumental awhile back. Earlier, we had an eight-year mentoring agreement with the China colleges and polytechnics, with some further announcements to be made during the week in China that the Prime Minister and Minister Robb will be conducting in early April. But I think at last count we had 45,000 students enrolled each year in China colleges completing a TAFE or an Australian qualification through TAFE partnerships. And we

operate with our competitors—Canada, the United States, the United Kingdom, Germany and increasingly Korea and Singapore. But there is a thirst for skills in the region, and we work very closely with Australian companies operating in the region in terms of their skill strategies.

So we certainly welcome the inquiry, and we feel very much that TAFE has been instrumental in changing people's lives. Education and our student compact really goes to not just skills for employment but also pathways to further education. And really that is our positioning, and it is the reason, even though the market for skills has expanded significantly in many states, our market share has also been very healthy.

**CHAIR:** Are you all happy with the one statement, or would any of you like to say something this morning?

**Mr Marron:** I would just like to underline that last point Martin made. Certainly at my institute—I am hear as the board member for TDA, but I am also the chief executive of the Canberra institute here in the capital—our aim is that students leave with skills for employment—that is their *raison d'être*—and also that they have a gate open to further study. That is why we are doing the things we do.

**CHAIR:** That leads me into my first question, which is in relation to actual flexibility around that. At my Barrier Reef Institute of TAFE in Townsville we just, as I said, lost our director. She has retired, and she was fantastic. In terms of capacity building in relation to overseas students, we do a lot of work with Ok Tedi. We are trying to do more and more with Papua New Guinean students and we are trying to open up other markets for overseas students to visit.

My question centres on how quickly TAFE can, if given the alert, build capacity? I understand one of the reasons would be that if someone comes out as a carpenter or something like that it would be good if they could go on and do a bachelor of business or something like that. Could you go through the steps that you would open, for someone who is coming through with a trade to further education, to formalise the process?

**Mr Marron:** I might also say that I have had experience in South Australia, in the northern part of Adelaide prior to coming to Canberra and also in regional Victoria. I was the director of Wodonga TAFE in Victoria so I am speaking from a little bit of experience that is not just rooted in Canberra. The first thing I want to say in direct response to your question about tradespeople, plumbers, electricians and so forth is their next step might not be a bachelor of business but it might be a business program at a certificate IV level or at a diploma level that equips them with the ability to run their own business. What then tends to happen is that people will do that and then they come back and do some post-trade qualifications, which, again, are at certificate IV or sometimes at diploma level. This is particularly true of electricians and people in licensed trades, and that keeps them abreast of the shifting regulatory frameworks. It might be some time after that some—not all of them of course—of them will move on to do a degree of some kind, maybe in their discipline or maybe in the business field because they have found they are as entrepreneurial as they are an electrician. That is the most common pathway I have found in those jurisdictions that I have worked in.

What we also get—and we had a classic example of that here in the capital—are people who have done a degree. We had an honours science degree candidate from ANU finish that and come back and do an apprenticeship in the electrical field. In fact she was the apprentice of the year a couple of years ago and now works for Actew AGL. I just wanted to also say that it is a two-way pathway. When we talk about pathways, that is an element that sometimes does not get the attention it deserves.

The other point I would like to make is that for apprentices and trades training, that is generally a large portion of TAFE institutes. For some TAFE institutes like ourselves, it is about 50 per cent. For the rest of the students who are not doing trades but are doing aged care, health, hospitality or any of those things then there are also pathways on to higher education. Those pathways are sometimes within the TAFE institute. People will go and do the work then they will come back to the TAFE institute to do perhaps an advanced diploma or a degree because we have partnerships that offer higher ed or it may be with one of our partners—the University of Canberra in our case. It was the University of South Australia in Adelaide. So there are very established pathways.

I can also say that bringing systems together is not an easy thing to do so there has been a lot of investment by the TAFE system and by our partners in building those pathways. That is why it is really important that people are skilled for employment but also skilled to move on to the next level. That next level might not be at that point in the learning journey but they have got options as they progress through their professional life and they are participating because they have got the skills for the job.

**Ms MacTIERNAN:** On the federal funding, is that recurrent funding or is that capital? How does that work? You have got \$2.2 billion annual investment by the Commonwealth.

**Mr Marron:** The federal funding generally comes through the state and territory governments and is administered by them so it is part of the overall package from a TAFE institute in the states and territories. A

significant part would be caught up in paying for apprenticeships and traineeships as part of the Commonwealth's contribution.

**Ms MacTIERNAN:** I noted you had said that you had done a survey and that the findings of your survey were that the TAFE training provided was the most highly trusted by the industry.

**Mr Riordan:** Yes.

**Ms MacTIERNAN:** Obviously we should get to the heart of the debate. There is a view amongst some people that more of the training should be provided by private providers who might have state-of-the-art equipment and people who are industry ready.

**CHAIR:** Do you want to go straight to that Western Australia example?

**Ms MacTIERNAN:** That is just one. I think there is a place for both, but this is the argument that I think we have to confront. One of the issues that you are going to have to address is that there is this body of thought—and I am not saying that I subscribe to it; I am eclectic here. How would you rate yourself against the private sector? Where do you see there being a good fit between the private sector and the TAFE providers?

**Mr Riordan:** I think that it is a matter of law that we operate within our own legislative arrangements and there is an open competition market. That is how the VET funding has emerged. It has been microeconomic policy now for 10 years. In fact, in quite a number of areas there has been competitor funding. There are two comments that I would make. One is that our organisation has been lobbying for quite a number of years that, if we are to have a competitive market, the TAFE institutes need to be able to operate within that on an even keel with some capacities. That included a chance of individual governance—and I am pleased to say that by the end of this calendar year all TAFEs will have come out of the departments of education and training to be their own individual governance, although still government entities. Secondly, the issues of IR and related are also addressed.

I think I am right in saying that the first issue has been largely addressed, although it is very much a patchwork result. The second issue is largely not. What that means is that under the national partnership agreement—and the SCOTese bodies that worked towards that—there were two pretty fundamental decisions that were made. One was that federal and state ministers signed up to the view that there should be a public provider network. In fact, the industry advisory body of SCOTese also articulated that in a communique. So there was brief reference to a public provider network being a guarantee of that agreement. But, like the outcomes, there were, in our view, far less specific outcomes nominated within that agreement for it to be satisfactory.

So, as states and territories then went away after signing up to this agreement—with a \$1.75 billion bucket of money in the middle of the table that was taken—they had to work out how to cut the cake in terms of a national entitlement scheme. Everyone has had a go at trying to do it in their own way. TAFE has been impacted largely because the funding cake had to be worked out without funding increases. So previous margins that TAFE received as a public provider network to deliver a community obligation got whittled away. That is really the issue in a nutshell. I do not think there has been much dispute on either side of politics that that seems to have happened. It is not a blame game; it is a fact of life from our point of view on how we operate within that environment.

**Mr Marron:** Could I just pick up a couple of points that the member made. There are 5,031 or so providers in the VET sector, of which 61 are TAFEs. So there is quite a large number of private providers operating. I think it is a good thing that we have got a diverse market, but it would be a bit of a stretch to say the private providers have always got state-of-art equipment—or that the opposite is true of TAFE institutes; we have some fantastic facilities across the nation. A TAFE institute is generally a diverse operation. Depending on how large it is, it will be dealing with anywhere between 15 and 20 industries and the segments of industries underneath that. But private providers tend to have one or two specialist areas at the niche end. We have had competition for 15 or 16 years. In my TAFE life significant change has happened. TAFE has changed, as you would expect it to, as the market has existed, and the private sector has changed as that market has existed.

Sometimes TAFE has a role in picking up market failures. I know that you have got an example from Western Australia. I can give you an example from Canberra. Last year we had a private provider who got out of the business and we were there to pick up their 300-odd apprentices in electrical. That happens all the time; it is the dynamics of the market and there is competition. There will always be an argument about who has the biggest share and whatnot. But the reforms Martin referred to mean that will be less and less of an argument as entitlements and contingent loans come through. The dollar, in fact, follows the student, which is what is foreshadowed in the partnership agreements.

**Ms Caven:** It is good to focus on the really good role that the TAFE institutes and the network have had in regional communities. TAFE is an enormous provider of educational and training services in regional areas. But it is not just that they offer qualifications that go right across the Australian Qualifications Framework; they are integral to community life. They are often quite a big employer in a regional area and they often have very significant relationships with local enterprises. They work with enterprises on innovative solutions to a range of business issues. So the TAFE network has a wide footprint in Australia and also a very significant footprint in regions and remote areas of Australia as well.

**Mrs ANDREWS:** In your position paper and also in your submission you have made comments about standards and quality. You say that you support the development of one set of national standards. You then go on to say that you have argued previously that the bar should be set higher for new providers, recognising that once providers are registered it is very difficult for the regulators to deregister them. I would like to explore whether the bar for the registration of new providers should be set higher and whether there is an issue with the auditing and quality control of providers after registration, and where the emphasis should be. In particular, I am interested in your views as to whether the auditing process that is currently in place is appropriate and whether there should be any changes to it.

**Mr Riordan:** We have been supportive of trying to get an improved quality framework, especially after the referral of powers to the Commonwealth for registration and regulation of vocational education providers except in Victoria and WA. But we still do not have a risk framework within that. So, you have a lot of providers that the regulator is trying to manage and a lot of different types. As my colleague Adrian Marron said, you have more than 5,000 that now seem to be registered. Yet only about 100 deliver about 90 per cent of the qualifications that receive VET funding. When you look at that statistic, it is an incredible cost of compliance that we all face for the compliance of the 90 per cent that deliver only 10 per cent of training. And it is a user-pays policy that was agreed. So, it is a bit of a double whammy.

Also, before referral of powers there used to be delegation of responsibilities, and now that is not the case. So 'red tape' would be too kind a term for this. It is an unacceptable level of regulation that we have been lumped with under the new arrangements. I think Adrian has written on this issue.

**Mr Marron:** I have a view, in direct response to your question, that if you get the standards right and if you have quite a high bar for entry, and for those in existence, then you are able to apply with much more confidence a risk based audit regime and regulation regime. Because we do not have that at the moment, and entry to the markets is actually quite easy, anybody can set up. It is easier in some places than in others, and I accept that. But that means that ASQA, the regulator, is then driven by whatever they perceive to be the lowest common denominator. So you get this overbearing, intrusive and costly regulation regime, whereas if we had the bar set a bit higher and the standards were more clearly articulated then ASQA—or whoever the regulator is—would be able to use a much more risk based assessment for its audit regime and need not be as overbearing and costly as it is now. That is my take on it.

**Mrs ANDREWS:** So, that would be for ongoing auditing as well?

**Mr Marron:** That would be for ongoing auditing as well. I just wanted to pick up that it is not just the start-off when you get regulated. In fact, that is not the hard part. We support having ASQA as the national regulator, but, having the task of 5,031 institutions to oversee, the processes it uses are going to be as tight as they can possibly make it to stop anything slipping through.

**CHAIR:** Those 5,000 institutions: is that the VET sector?

**Mr Marron:** That is the registered training organisations in Australia.

**CHAIR:** Perhaps I could add to that in relation to the explosion of the RTOs. I have always found that TAFE is very heavy with capital costs. You have to have the welders, the lathes and all that sort of thing. It is easy for someone to come in with a management certificate and that sort of thing. What we are trying to do, or what the government is trying to do, is make it more industry focused, more job focused, to—without wanting to put words in anyone's mouth—weed out the cert ones and active volunteerism, and those sorts of things where people are paying for it but not getting a job on the way out. Is that where you are heading with the audit, with what the standards should be?

**Mr Marron:** I think we are actually trying to raise the standards for being a training organisation and maintaining your RTO status and how that is done through compliance issues with regard to quality frameworks you have to do, and how that is enforced and audited. ASQA, the national auditor, at the moment is very much a policeman working within some very narrow lines, and it is reflected in the way they go about their business. The argument is, though, that perhaps more than 5,000, for a country the size of Australia, is too many. To fully

regulate that number you would need a much bigger and more costly ASQA under the current conditions. What we would be saying is: if we get standards right for entry and of conducting your business and make the bar a bit higher to achieve that RTO status, then you would not have to spend so much time, money and effort and be overbearing—and it causes time delays as well in the regulatory framework. That is the essence of my thesis.

**Mr WILLIAMS:** As you know compliance, red tape, has been introduced into the House from this week. I assume there has been a submission about your views on the regulation of the VET sector to the minister in recent months.

**Mr Riordan:** That is correct and we have really based that on a risk framework and the universities, through Professor Greg Craven, have given an example, where in their discussion with TEQSA regulation, the point was made that universities already have a high regime of arrangements for compliance. So do TAFES. We enrol, as we have seen, as many students as the university market. All of our TAFEs operate under our own legislative arrangements already, so putting another layer of regulation on top has been extraordinary. Given the discussions we have had earlier about the cost difficulties of TAFE, it is a really relevant issue that we are keen to see crunch quickly.

**CHAIR:** Were you happy with that answer? Is there anything further you wish to raise?

**Mrs ANDREWS:** My question is about standards and whether or not just by raising the bar it was actually going to address any ongoing issues. I think that has been clarified by your response with regard to making sure the standards are set at the appropriate level and then auditing against those higher standards so it is not just raising the bar for people to be able to be registered.

**Mr Marron:** You have to keep your eye over the bar and through the gate.

**Mrs ANDREWS:** I just wanted to clarify that and your position.

**Ms BIRD:** I appreciate that a lot of the discussion often becomes a 'Who gives better quality? Who is more flexible?' and following yourself up a blind alley type of argument in the current environment. The basis of your submission is about the community service obligations of a public provider in the vocational sector. I think you touched on it to some extent with issues about regional and rural—the thin markets argument—and also obviously for industry they are capital-intensive type sectors. Private providers are tied directly to an employer or industry where they use the existing workplace and find it very difficult to match carpentry, bricklaying, engineering, hospitality and all of those types of sectors that have lots—and this is the point the chair was making—of requirement for capital in them. Also the market that targets those who are re-entering or just entering post-secondary education, in particular, those with a disability, Indigenous students, and women re-entering the workforce after family commitments—there is a whole range of what we call thin markets. I am interested to know your perspective on the rollout of the national partnerships and the requirement of those community service obligations the states undertook with the Commonwealth to sustain the public provider. I get the feeling from your submission that you feel that it is a bit weak; you would actually like to see it strengthened. I am interested in what your views are on what the possibilities might be in that space.

**Mr Riordan:** We felt that it would have been neater for the operation of the national partnership agreement if there had been more clarity over, firstly, what the articulated role of the public provider is; and, secondly, if there was to be use of the words 'national entitlement', how states might create some sort of agreement on what qualifications might be in or out of that. Neither really was achieved. So part of the nemesis, I guess, of the TAFE issue that we are starting to see really build has been this question mark of whether or not states or territories are observing a public provider commitment.

**Ms BIRD:** So you are putting that the national agreement, have, as I think you described it, a national policy statement that actually fleshes out what was meant by that. Is that what your idea would be?

**Mr Riordan:** With such a large monetary agreement, which is the NPA on skills, and with a provider network that is so integral to the delivery, there is really no mention of what the responsibilities of that network might be within that agreement. So we felt that there could have been room for improvement. Looking ahead, we certainly think that it would be a lot more preferable if TAFE were in fact a party to the agreement.

**Ms BIRD:** The other area I wanted to explore with you from some of the things that you raised in your submission was the issue to do with regulation. It is a very new regulator, so how it can be improved is obviously going to be of interest. I think we would all agree with that—and I think it is under an official review at this point in time. One of the things they did point out recently that really interested me—and I would be interested in your response to it—was the report on marketing practices in the VET sector. It is not something that actually is a standard and so not regulated. I think all of us in our local communities have seen far from desirable marketing targeted at vulnerable people with very dodgy outcomes. The report that ASQA put out was very concerning.

Given that it is timely—it has only come out in recent times—I would be interested to know TDA's response to that.

**Mr Riordan:** We have been trying to show ASQA for some time that the marketing practices were an area that should be within their remit. I also think that the experience and the report, with the evidence that they presented, provided the clarity that we all needed. If one is offering trips to Bali and otherwise to sign up and offering courses for nothing it is hardly appropriate to then receive public funds. One of our Melbourne members indicated that a college—which was a kind word for a shopfront down the road—was trying to offer a diploma in the shortest possible time for one-tenth of the real cost. I think these are issues that build to some sort of protocols under which the receipt of public funds should have real criteria. Rather than potentially disenfranchising private RTOs—it is a market place and, if firms want to start up, it is not for me to say they should not—surely there may be strict criteria before they receive public funds.

**CHAIR:** Thank you very much for appearing here today. It has been very instructional for me as well. I just want to get on the record how much you have got to look after Townsville and the Barrier Reef Institute of TAFE. Thank you very much for coming. I really appreciate it.

*Resolved that these proceedings be published.*

**Committee adjourned at 12:14**