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Dear Professor Seares

**RE: INDEPENDENT REVIEW OF THE VOCATIONAL AND TRAINING SECTOR IN WESTERN AUSTRALIA**

Thank you for the opportunity for TAFE Directors Australia ('TDA') to respond to the Independent Review of the vocational educational and training sector in Western Australia, convened by the Hon Terry Redman MLA.

On behalf of our members including all WA State Training Providers (STP public provider) Institutes, I am pleased to present several issues to assist this important Review.

***Background***

'TDA' is the incorporated peak body for Australia's 61 public providers (TAFE institutes) of vocational education and training, and includes all WA STPs operating under State legislation, which report to the Department of Training and Workforce Development (DTWD).

State Training Providers in WA operate in a fast-changing commercial paradigm, which is recognised in the Independent Review Discussion Paper. However, TDA argues that the Discussion Paper, while articulating the conflicting 'public private' approaches to this market change, should give further attention to the wider international competitive environment in which STPs in WA operate and also to demands by industry for higher level technological skills in tertiary education.

This issue of wider context beyond Western Australia is highly relevant, to maximise the quality of STP delivery in WA, and the establishment partnerships of many STPs with industry which operate across state borders.

## **Clarity of definition for STPs in WA under new NPA Agreement on Skills**

A key lever of change has undoubtedly been the introduction of a National Partnerships Agreement (NPA) on Skills, agreed by the Council of Australian Governments (COAG), in April 2012. The NPA Agreement committed all states and territories to a National Entitlement Scheme to Training, or student 'voucher' system. In return, the Commonwealth offered states and territories \$1.75 billion over four years, in reward payments for implementation, with the Agreement effective from 1<sup>st</sup> July 2013 with phase in arrangements across all jurisdictions.

While Western Australia signed the NPA Agreement on Skills, for the purposes of registration and regulation of vocational education, the State has remained outside the referral of powers which created the national regulator, the Australian Skills Quality Authority (ASQA).

Advocacy by 'TDA' along with major industry peak bodies at the time, calling for greater definition in the NPA Agreement, was not provided for by Commonwealth negotiators. As a result, the NPA Agreement contains a range of issues which lack definition. This has in turn resulted in many unintended consequences. For instance, eight different VET funding 'entitlement' models are emerging across Australia, as each state and territory implements the Agreement in different ways, and with varying qualifications within 'entitlement'. Further, despite the SCOTese Ministerial Council and the SCOTese Industry Consultative Council issuing communiques during 2011-12 supporting the retention of a public provider (TAFE) network and TAFE's heritage for contributing to technical and vocational education under a community obligation, only an unspecific obligation for jurisdictions to undertake "...support for TAFE in the transition .." was defined within the NPA Agreement.

These vagaries undoubtedly contributed to disputes at a Federal level, uncertainty for jurisdictions on reward payments under the NPA, teacher union concerns about the redundancies impacting on some TAFEs, and much media speculation; all of which led to questions about the role of TAFE in each jurisdiction, and the extent of its community service obligation to equity, disadvantaged and communities. Indeed, two federal Parliamentary Inquiries into Technical and Further Education (HofR and Senate) were established and are continuing.

Private provider groups have been vocal in demanding full and open access to the vocational education market, yet have been less active in supporting a risk framework under which criterion would operate for public or private colleges seeking public VET funding. This is despite private colleges being at the centre of the implosion of fraudulent conduct by some private colleges and closures affecting thousands of students in recent years.

This crisis has had a dramatic impact on international education and the reputation of tertiary education in Australia. The establishment of ASQA has been inconclusive in establishing uniform agreement on VET regulation, and the National Skills Standards Council, formerly under Chair, Hon John Dawkins OA, has failed to finalise new VET Standards which remains an issue for the incoming Federal Industry Minister, Hon Ian Macfarlane MP.

Further, changes to TAFE governance arrangements have equally remained largely unfinished business for each state or territory.

As a peak body representing TAFE Directors, TDA has taken several initiatives to assist:

**(i) NATIONAL CHARTER FOR TAFE**

The resolution on support for a public provider by SCOTese in 2011, guided by an industry-dominated board of Skills Australia (*Skills for Prosperity: A roadmap for vocational education and training*), urged TDA to articulate characteristics of Australia's public provider network in a National Charter.

- In brief, TDA launched a National Charter for TAFE following national consultations with industry, government and stakeholders;
- The National Charter defined key characteristics and outcomes for Australia's public provider (TAFE) network (Ref: Attachment A).

**(ii) REPRESENTATIONS ON GOVERNANCE TO JURISDICTIONS**

In response to the NPA Agreement, most Australian jurisdictions held reviews and/or passed legislation to migrate their TAFE Institutes out of Departments of Education and Training into their own governance structures. As background:

- WESTERN AUSTRALIA - The election of the Barnett Coalition WA Government brought reform to TAFE governance, and the TDA Board met with the then State Minister, Hon. Peter Collier MP, to put its views on the merits of more independent governance. However, it was TDA's view that while statutory authorities were implemented under legislation, a high reliance on the WA government and intervention capacity by the WA Minister remained within the governance structure.
- QUEENSLAND – The incoming Newman Coalition Government created a Skills and Training Taskforce, under Chair Michael Roche, with its terms of reference requiring a review of skill needs in Queensland, and the role of TAFE. TDA commissioned the LH Martin Institute for Tertiary Education Leadership, University of Melbourne, to prepare a detailed submission to the Taskforce, with special focus on 'Unleashing the Capacity' of TAFE through more independent governance.

The overarching purpose for governance reform was the industry skills mismatch that invariably accompanies supply driven VET systems. TDA sought that TAFEs could better focus their attention on the skill needs of their industry partners, meet increasing demand by industry for higher level and more technological tertiary qualifications, and engage more successfully with international education.

The TDA/LH Martin Report was largely accepted under the Skills and Training Taskforce recommendations with the current far-reaching reforms in Queensland - although still new and untested –certainly positioning TAFEs to better respond to the full open-market voucher system to training designed by the Newman Government (Ref: Attachment B - TDA submission to Queensland Taskforce).

**(iii) SUBMISSIONS TO HOUSE OF REPRESENTATIVES AND SENATE COMMITTEE INQUIRIES INTO TAFE (2013, 2014)**

TDA has made detailed submissions to two Parliamentary Inquiries into technical and further education (TAFE) in Australia.

- In 2013, the House of Representatives (HofR) Standing Committee on Education and Employment held an Inquiry into TAFE. The incoming Minister for Industry, Hon Ian Macfarlane MP, recently successfully moved that this HofR Inquiry be re-activated.  
  
On 19<sup>th</sup> March 2014, TDA Executives appeared before the HofR Inquiry, to provide evidence. The HofR Parliamentary Hansard is now available (Ref: Attachment C).
- In March 2014, TDA made a detailed submission to the Senate Committee on Education and Employment, for its Inquiry into TAFE (Ref: Attachment D).

The evidence to the HofR Inquiry, and later submission to the Senate Inquiry, may both have relevance to the WA Review of VET/TAFE, as it considers how TAFE has been treated in the new competitive environment. Despite open competition being introduced or phased in across all jurisdictions, TAFEs remain highly exposed in some jurisdictions as public VET funding is opened to private colleges, even when these RTOs are in high risk (low quality) categories as determined by regulators, and are often delivering qualifications in low entry, low capital cost industry segments such as business, information technology media and retail.

The continued open access to public VET funding to RTOs, with no clarity on a risk framework by the Commonwealth for the VET sector, contributes substantially to high commercial stress on the TAFE (low risk) system.

This is an equally important issue to the WA Review on VET, not merely the governance of TAFE itself.

**(iv) NPA AGREEMENT ON SKILLS - ISSUES FOR INDUSTRY & PROVIDERS**

While a 'national agreement' in principle, there has been as yet no agreement across States and Territories regarding:

- the nature of entitlements for students;
- the quality criteria that should be applied to providers in receipt of public funds;
- the governance arrangements for public providers;
- the role of public providers in servicing local communities.

**KEY ISSUES FOR WA REVIEW**

TDA proposes to the Independent Review Committee that it is imperative that Western Australia has further reform across five key business areas:

1. Governance arrangements;
2. Funding arrangements;
3. Regional presence;
4. International students; and
5. Tertiary qualifications delivery.

Detail of each area is provided in the attached response to the Discussion Paper from TDA.

Our concern with the Discussion Paper itself, and the Review process in general, is its restricted focus on past operational issues specific to Western Australia, without benchmarking WA to other jurisdictions in Australia and internationally, through benchmarking activities, and service products in demand by industry and consumers. For instance, while two of 14 TAFEs in WA are registered as Higher Education Providers (HEPs), this ranks lowly with 23 TAFEs now offering higher education qualifications servicing strong demands by industry for higher vocational and technical skills. For community colleges in Canada, the US, Further Education Colleges in the UK, and polytechnics in New Zealand, Hong Kong, Singapore and Indonesia, vocational higher education qualifications and degrees have been offered for quite some years. However, this remains 'new territory' for WA.

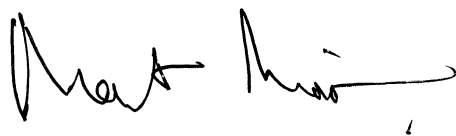
This business demand substantially impacts on STPs in WA regarding international education as is demonstrated with STP WA still ranked lowly in Australian Education International (AEI) data for international students inbound (compared with private RTOs), and transnational education delivery offshore (compared with Victorian TAFEs). TDA argues that to maintain the viability, strength and reach of TAFE in Western Australia and meet pressing economic and social targets, this broader view is essential.

TDA recommends streamlining of delegations for STPs, removal of red tape (increasingly a key issue), and a more devolved approach to areas of business development including international education and STPs conferring higher level qualifications as HEPs. Like state leaders from NSW and Victoria, we would appreciate the WA DTWD proceeding with representations to the Federal Minister for Education for access to STPs in WA for Commonwealth Supported Place funding, which was a key issue in the recent Kemp/Norton Inquiry on Demand Driven Higher Education.

Please find attached our response to the questions raised in the Discussion Paper.

I look forward to the final review, and welcome a meeting to further discuss.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Martin Riordan', with a long horizontal flourish extending to the right.

**MARTIN RIORDAN**

Chief Executive Officer

TAFE Directors Australia

**1. A model for the most appropriate level of autonomy for metropolitan and regional State Training Providers:**

**Governance arrangements**

*Issue 1 raised in the discussion paper: Tailor oversight and support in accordance with the needs of an individual State Training Provider (STP).*

To accompany funding contestability in each state and territory, TDA has argued for greater operational autonomy for State Training Providers (STPs) to enhance their capacity to operate in competitive training markets. As noted above, all states and territory jurisdictions have now legislated, or propose to legislate, changed governance arrangements with a statutory governance model the preferred arrangement.

TAFE institutes remain very well governed and highly accountable for public funds through jurisdictional statutory reporting and compliance obligations to two national regulators. As a result, they are widely regarded as reliable and trustworthy 'low risk' providers in a training market where quality has been variable, particularly in the private sector where almost 30% of providers were found to be 'high risk' by ASQA.

However, while WA public providers were incorporated under a statutory authority framework, the Institutes are disadvantaged. For example:

- they operate with high levels of intervention across different regulatory platforms (WA and ASQA), reporting and approvals (Minister and Department);
- they operate with low levels of capacity to leverage assets (universities operate property trusts), to wholly manage their people and HR (individual enterprise agreements), control of international education and higher level qualifications (no degrees for TAFEs in WA).

These are uncompetitive drivers which cause a frustration for otherwise highly motivated educators and managers leading WA STPs. Worse, these issues create imbalance in the WA VET reform landscape, and impact on STPs' relationships with industry, especially in 'across border' training support.

*Question 1: Does a balanced score-card approach have potential to determine the organisational maturity of an STP?*

In terms of a balanced score-card, TAFE across Australia already represents a mature system with:

- Quality governance arrangements;
- A track record of sound financial performance;
- High quality academic performance and outcomes for students; and
- Meeting specific whole-of-government targets, particularly in terms of community service obligations and increasing participation by students from low SES backgrounds.

Because so many RTOs require regulation – some 10% of Australia’s VET RTOs deliver 90% of public VET training – the current regulatory arrangements, with their full compliance burden, is hampering cost reduction as required of ‘low risk’ TAFEs, under WA department productivity management.

While ASQA alone has calculated that almost 30% of Australia’s VET RTO providers were determined as ‘high risk’, the quality of TAFE provision however, has not been under question.

### **Annual Delivery and Performance Agreement Funding Cycle**

*Question 7: In the context of the current annual appropriations of funding to the DTWD from Treasury, is it possible to move to a three-year planning cycle for the DPA, with associated indicative funding? What are the impediments to doing so?*

*Question 25: How can this community service obligation be most effectively funded in the new market for training?*

The NPA, signed by all states and territories agreed in principle to ‘transition support to TAFE’ in the new competitive VET environment. The letter of the NPA required signatories to develop and implement strategies which enable public providers to operate effectively in an environment of greater competition. However, TDA notes that in some cases, financial difficulties were reported in some TAFE, especially those institutes delivering core skills courses in regional and remote areas (thin markets).

TDA advocates that for TAFE Institutes to develop and implement longer term plans in the current changing environment of reform, that a three year planning cycle with appropriate funding for the public provider to support community service obligations is instituted.

### **Regional presence**

#### **Proposal to rationalise the numbers of STPs**

*Question 12: What are the pros and cons of such a proposal?*

TDA argues that the current number of STPs in Western Australia is critical to providing access to quality vocational education and training across metropolitan and rural regions of Western Australia. Given the appreciable gap in participation and attainment levels in education between the populations of metropolitan and regional and rural areas, these public provider institutes contribute to local community welfare and social and economic development by providing educational opportunities and building local skills and capability.

By being embedded in local communities, regional institutes in particular participate in local planning and development activities and provide significant opportunities for employment. A campus contraction or closure not only results in reduced training opportunities, it also means direct job losses and loss of regional income. In Victoria, for example, funding reductions in Gippsland resulted in a predicted loss of \$1 million from the regional economy. Closures also impact on the TAFE brand and are distracting STPs from increasing their specialisation and partnership arrangements in the new market environment.

The TAFE brand however remains very strong. A survey of Queensland community and industry, undertaken by TDA in 2012, found that almost 85% of Queenslanders – including employers – regard TAFE as an extremely important and valuable community asset that should be preserved and appropriately funded. The clear message is that TAFE is considered to be a trusted provider of high quality VET with some 81% of respondents strongly agreeing or agreeing that qualifications delivered by TAFE are reliable and of high quality and well recognised nationally.

Over 80% agreed that TAFE plays an essential role in developing a highly skilled and productive workforce in Queensland and contributes to the economic development and social cohesion of regional communities. Almost two thirds of employer respondents agreed that TAFE has the capability to address the skills needs of their businesses.

In other jurisdictions, supportive relationships and partnerships are emerging between regional TAFE institutes and larger metropolitan ones, and between TAFE institutes and universities, in recognition of the important role regional institutions play in their communities, and the importance of retaining a local presence and identity. These relationships also alleviate the higher costs incurred by regional institutes and the relatively limited opportunities for commercial revenue.

TDA holds that this community provision and contribution to local economic development must be recognised through adequate resourcing and purchaser agreement provisions under the Western Australian Government.

## **2. The capacity of STPs to operate in the new purchasing environment of the *Future Skills WA* model.**

As all jurisdictions move towards contestability, pressure has intensified on TAFE through funding cuts and changed pricing structures for VET. While TAFE has been operating in a competitive marketplace for over 15 years, the explosion of RTOs across the country to almost 5,000 has raised the competitive stakes and put the reputation of the sector in general at risk.

### **Meeting diversity in student population**

*Issue: the risk for low SES/concession students in the new funding environment*

The introduction of entitlement, funding cuts to TAFE and changing policy environments have resulted in a number of factors impacting on the affordability and accessibility of TAFE, particularly for low SES students including those in remote and regional areas. These include:

- A lack of trust in the quality of VET qualifications by students, employers and international stakeholders;
- Increasing enrolment and other fees;
- Changing subsidies and entitlements within jurisdictions (that can change quickly);
- Barriers to entry where qualifications are not funded in some industry areas due to a mismatch in funding and skill needs;
- Funding inequities in the VET and higher education system in both the grant and student loan systems (e.g. VET Fee HELP and CSP funding);
- Varying visa requirements for international students;
- Cuts to courses and local services, particularly in regional and remote areas.



### **International students**

Australia's TAFE Institutes rank among the top three international technical, vocational education and training (TVET) providers in the world. TAFE Institute expertise is increasingly in demand from employers, government agencies, education institutions and donor organisations, particularly in the Asian region to improve technical skills training in the region for increased productivity and workforce participation. Of equal importance is TAFE's role in supporting Australian students and businesses to engage with other countries through outbound mobility programs and industry-led training programs.

As mentioned in the attached letter, WA TAFEs rank lowly in AEI data for international students and delivery of VET offshore.

### **Higher education in TAFE**

Currently, there are 10 TAFE institutes in Australia registered as Higher Education Providers (HEPs) in their own right with 23 institutes delivering over 100 accredited specialist higher education qualifications. This small but growing sector is directly responding to industry calls for higher technical skills in the workplace and work-ready graduates.

The emergence of TAFE institutes as 'integrated tertiary providers' is in line with developments internationally where higher education is increasingly being delivered in the USA and Canada (by Community Colleges), United Kingdom (by Further Education Colleges) and in regional economies such as New Zealand, Singapore and Hong Kong (by Polytechnics). The strength of these providers lies in the applied nature of learning, the supportive learning environments they provide, the direct links with work and industry as well as the innovative pathways into higher skills and qualifications for a diverse range of students; many of whom are first in family to undertake higher education.

As also mentioned in the letter, two of 14 TAFEs in WA are registered as HEPs which ranks lowly with 23 TAFEs now offering higher education qualifications servicing strong demands by industry for higher vocational and technical skills. TDA advocates for a tertiary education policy to be developed in Western Australia that outlines a clear role for TAFE in higher education with particular emphasis on the importance of pathways from schools through VET to higher qualifications.

### **TDA commissioned surveys and research**

Western Australia's public provider (TAFE) network is a trusted, high quality provider that, over many years of operation, has developed the capacity and capability to meet skill, workforce productivity and cultural needs of industry and local communities, the scale of which existing and new private RTOs would be unable to match (or replace).

This was a clear finding of commissioned research undertaken by the Board of TAFE NSW Commission, by TDA in Queensland and earlier by the Victorian TAFE Association (our sister organisation) in Victoria. All states showed that TAFE is a most trusted skills training brand in households and that industry especially supports TAFE, and prefers TAFE over private RTOs for core skills delivery (Ref: Attachment E – TDA Survey, 2012-13 – Queensland).

Research undertaken by Dr Mitchell in early 2013 in five industry sectors across Australia found innovative practices adopted by TAFEs are effectively contributing to the achievement of one or more business and government goals associated with increased productivity and global competitiveness, improved workforce flexibility, and developing skills for new economies and regional growth. Drawing on extensive national research undertaken in TAFEs since 2007, Dr Mitchell's report concluded that a high value should be placed on the human capital residing in TAFE. Dr Mitchell's report is available at:

[http://www.tda.edu.au/resources/tda\\_reinventing\\_service\\_delivery.pdf](http://www.tda.edu.au/resources/tda_reinventing_service_delivery.pdf)