



**Submission to the VET Funding Review**  
**Government of Victoria**

**April 2015**

## 1. Introduction

TAFE Directors Australia (TDA) is the national peak body representing the interests of Australia's 58 publicly funded TAFE institutes. TDA therefore welcomes the opportunity to provide a response to the Victorian VET Funding Review.

TDA has longstanding concerns about the crisis in Victoria's vocational and education system. It is a crisis of trust which stems in TDA's view from two fundamental causes:

- The manner in which Victoria's VET funding is allocated, such that the social and economic benefits the community rightly expects should flow from expenditure of public monies are inadequately protected;
- A progressive erosion of confidence among employers and the broader community that VET is delivering high quality skill outcomes for learners and industry.

The present condition of Victoria's VET system is inconsistent with the Victorian government's desire to establish Victoria as an education state. The point of difference that entails, and the value proposition it poses, are undermined by current VET policy settings and funding models.

An effective, credible VET system – with TAFE at its core – is an indispensable contributor to developing and deepening the stock of skills on which the state's economic prosperity relies. It is an indispensable contributor to social wellbeing through providing individuals with the skills and know-how that enable them to participate productively in the workforce, and to enrich their life chances. These contributions are under pressure.

TDA believes the Victorian government must make a priority of restoring trust and confidence in the capacity of the VET system to reliably and sustainably deliver high quality, job-ready skills and qualifications to learners and industry.

TDA's submission recognises that the Review's terms of reference are interrelated. Many issues raised in the submission relate to two or more of the terms of reference. TDA's submission is based on three interrelated premises which bear upon the terms of reference as a whole:

1. Victoria's TAFE Institutes constitute the backbone of a strong, viable and sustainable VET system.
2. Current VET funding is adequate but its distribution must be fundamentally revised.
3. The distribution of funds should support TAFE Institutes to secure system integrity. TAFE has the capacity to set the benchmark for providing quality vocational education and training that is relevant to contemporary industry settings and future economic growth, including the six sectors identified in the government's *Back to Work* policy statement.

## 2. Three recommendations for the Review

TDA's submission offers three recommendations to the Review that will assist to create the conditions for revitalising Victoria's VET system with TAFE as its reliable pacesetter. The recommendations are set out below and as they appear later in the submission.

### **Recommendation 1 –**

#### **The Victorian government revise current purchasing arrangements.**

That the Victorian government:

- Maintain the concept of Victorian Training Guarantee (VTG) but adjust the purchasing mechanisms to distinguish between purchasing from private RTOs and purchasing from TAFE Institutes;

- Adjust the nominal hours in Victorian government purchasing guides so that the hours for a qualification are consistent with the volume of learning specified in the AQF;
- Replace the current Student Contact Hour rate with a Qualification Rate in which the hourly rate for any unit of competency is expressed as a proportion of the number of hours in the qualification;
- Establish different Qualification Rates for differing modes of delivery with institutional delivery funded at 100 per cent, and workplace-based and online delivery funded at 20 per cent;
- Limit VTG funds for private RTOs to 70 per cent of the Qualification Rate, consistent with the proportion of the subsidy rate for public universities that the Commonwealth Government had proposed for non-university higher education providers.

**Recommendation 2 –**

**Ensure TAFE institutes form the backbone of Victoria’s VET sector.**

That the Victorian government:

- Ensure that at all times no less than 60 per cent of the Victorian education budget assigned to VET is allocated to Victoria’s TAFE Institutes
- Provide operating funding for TAFE institutes based on 100 per cent of the Qualification Rate (see Recommendation 1) plus loadings that recognise the additional costs of:
  - rural and regional delivery;
  - delivery to high needs students and students from lower socioeconomic backgrounds;
  - maintenance of state infrastructure/equipment (with the loading based on value of assets);
  - staff salaries in line with the TAFE Teaching Staff Multi-Business Agreement;
- Maintain staffing of TAFE Institutes so that casual teachers, and teachers on contracts of three years or less, comprise no more than 30 per cent of the EFT teaching staff for each Institute;
- Establish a pool of funds available only to TAFE institutes to tender for developing quality learning and assessment materials associated with qualifications and courses on the national register. The materials produced would be protected as intellectual property, available free of charge to TAFE Institutes, and available under commercial terms to private RTOs.

**Recommendation 3 –**

**The Victorian government establish tighter contractual and monitoring arrangements for for-profit providers receiving public funds.**

That the Victorian government:

- Require that an RTO, as a condition of receiving VTG funding, gives an undertaking that all brokers/third party agents it uses are registered with HESG/VRQA, or are otherwise on the national register;
- Legislate to ensure that any third party agent that is not registered and which offers, or professes to offer, VET courses funded by VTG is liable for prosecution,

and that there is mandatory suspension of contract for any RTO associated with such a third party agent;

- Require that a private RTO, as a condition of receiving VTG funding, has a formally constituted industry advisory body;
- Require that an RTO, as a condition of receiving VTG funding:
  - specifies the number of hours that will be delivered for each qualification, by delivery mode;
  - regularly reports on the number of hours that were delivered for each qualification, by delivery mode;
- Override entry requirements in training package qualifications so that, where VTG funds are available for Diploma or Advanced Diploma qualifications:
  - students are enrolled only if they have successfully completed an associated Certificate IV, or have an ATAR of 50 or higher
  - that mechanisms are instituted to monitor enrolment practices of RTOs contracted by the Victorian government to deliver qualifications at AQF levels 5 and 6.

### **3. TAFE as the backbone of Victoria's VET system**

VET policy and funding arrangements must have a relentless focus on outcomes – quality training outcomes for all learners and for industry which relies on vocational education and training for the continuing, reliable supply of skills.

As public providers, TAFE Institutes have an instrumental role in driving public policy outcomes for the VET sector. They have geographical reach throughout metropolitan and regional Victoria, depth in industry relationships, a strong presence across qualification levels, a crucial role in learner pathway delivery, and a longstanding record in working effectively with diverse learner profiles. They have physical infrastructure and online capability to craft effective and efficient training designs and delivery. These TAFE Institute capabilities offer a strong and necessary platform for innovative, high quality training. They represent the strongest foundation for ensuring equitable access to training. They are also the strongest foundation from which to assert that the community and industry can reinvest their confidence in the VET system.

Current funding and pricing arrangements have limited TAFE's ability to respond to learner and industry needs. Those arrangements must be amended so that public investment follows a preference for quality outcomes. In calling for such changes it is important to underline that all providers need sufficient time to adjust their student recruitment activities and delivery models when changes are made. Following introduction of the VTG there has been a string of unanticipated adjustments to pricing which have compromised effective planning and efficient delivery.

Quality training and assessment cannot be left to inadequate proxy measures like student enrolment numbers. TDA recognises that benchmarks are needed to establish shared expectations about what constitutes quality training outcomes so that government, TAFE Institutes and other VET providers have transparent measures against which to assess performance. The focus of regulation must substantively shift to the quality of training and training outcomes.

TDA recognises that competition in the training market brings benefits to all stakeholders and Victoria's TAFE Institutes have responded vigorously to the competitive environment. However, recent experience of misleading and unethical practice by some for-profit providers and brokers makes it clear that the training market cannot be allowed to operate unchecked. In a competitive training market there must be continual reference to an active, tangible expression of quality training provision and quality training outcomes. Victoria's

TAFE Institutes offer that reference point and as publicly owned providers represent low regulatory risk. At the same time a market design retaining a competitive component can ensure that all providers keep a constant eye on the optimal integration of quality and efficiency.

The quality option requires direct government support. With a sound financial footing TAFE Institutes can commence the work of establishing transparent quality benchmarks and re-establishing confidence in the VET system.

#### **4. Valuing TAFE teacher expertise**

The expertise and experience of Victoria's TAFE teachers are key assets in the tasks now confronting Victoria's VET system. Quality training design, delivery and assessment are the products of quality teaching. In an institutional context a cultural preference for quality teaching is reflected in:

- a stable teaching workforce that is renewed by drawing in new teachers with new ideas
- an orientation to professional development that emphasises joint responsibility for student outcomes, and sharing of learning and teaching strategies.

The loss of many TAFE teachers as a direct consequence of changes to Victoria's VET funding model has deprived learners and industry of access to highly competent professionals dedicated to learning, teaching and outcomes for their industries. The resilience of TAFE Institutes in the face of declining student numbers and revenues is a testament to the student-focused culture that TAFE Institutes have built up over time.

Among limited cost containment alternatives open to TAFE Institutes in the last two years has been the engagement of a large number of casual and contract teachers. This creates challenges for continuity and professional knowledge sharing. It means that direct student support, ongoing industry engagement, and administrative/regulatory compliance tasks related to teaching all fall disproportionately on remaining permanent staff.

TDA believes that Victoria's TAFE teacher workforce is a key resource for reinstating high quality, trusted vocational education and training. It is essential that the Victorian government acknowledges the significant value that the TAFE teacher workforce brings to the overall quality of VET system, and acts to ensure that an appropriate balance is struck between retaining experienced teachers and refreshing the workforce over time.

There is a clear need to rebuild the training resources available to teachers and students across the full range of industry sectors that TAFE serves. In recent years, resource development, maintenance and curation have suffered as instructional design capability and knowledge management/librarian functions have diminished with loss of staff. However, instructional design and associated resource development is a primary source of innovation in VET teaching and learning, and a primary marker of quality. TDA believes that the Review should take the opportunity to place the development of learning and teaching resources on a sound footing within the TAFE sector. Resource development could be positioned as a source of recovery for Victoria's VET system.

#### **5. Purchasing arrangements**

The Victorian Training Guarantee (VTG) is intended to stand as an entitlement to training outcomes that extend Victoria's skills base, underpins productivity improvement and industry competitiveness, and enriches the lives of those who undertake vocational education and training. Current Victorian purchasing arrangements do not serve the aims of quality training provision or quality training outcomes. The purchasing model also overlooks important distinctions between public and private providers.

Community expectations are that TAFE Institutes will provide equitable access to a wide range of qualifications, including in circumstances where demand for training is low. TAFE Institutes also have substantial costs in maintaining infrastructure built up over many years through direct public investment. Private providers operate in a different business context characterised by lower infrastructure costs, fundamentally different staffing costs, more limited scope of delivery, more limited industry engagement demands, and less extensive demands on student services and facilities. The Victorian government's purchasing arrangements must heed the particular constraints on, and responsibilities of, TAFE Institutes in the way it funds providers.

RTOs have diverse business objectives and business models that defy simple categorisation. Among Victoria's TAFE Institutes there are non-university higher education providers, four dual sector TAFE-University providers, and metropolitan and regional Institutes respectively managing the benefits and diseconomies of scale. Among non-TAFE providers there are for-profit and non-profit entities, businesses which have an RTO as part of their business (but not always their main business line), RTOs that deliver to fewer than 100 students a year and RTOs that deliver to more than 1,000 students per year, RTOs with wide scope of registration and RTOs with narrow scope of registration.

Workplace delivery is an example of how mode of delivery needs to be considered in a more nuanced manner when determining funding models and making purchasing decisions. Workplace delivery is a valuable training strategy – its greater prominence in accredited training is welcomed. TDA notes, however, that an RTO which elects to provide only workplace-based training and assessment incurs lower fixed and capital costs because employer facilities are used for training delivery – an RTO delivering training solely in workplaces may maintain only a small business centre or office. While Institutes are active in workplace delivery they cannot escape the higher fixed and capital costs associated with their responsibility to provide training (both face-to-face and online) to learners outside the workplace. These learners include school leavers, those returning to work, retrenched workers, and those seeking to build a skills base for entry into another occupation or industry. These higher costs must be factored into TAFE Institute pricing for workplace delivery, consequently putting Institutes at a competitive disadvantage.

Purchasing arrangements must reflect the reality that responsibility for state assets and campus-based delivery impose higher costs on TAFE Institutes which constrain their capacity to compete on both quality and price.

Victoria's current purchasing arrangements fail to recognise provider diversity. The Review may wish to consider whether developing provider categories would support a more targeted allocation of public funds in Victoria. TDA has advocated in the past<sup>1</sup> for detailed work on developing a more robust delineation of provider categories as a guidance tool for funding agencies and prospective students in making choices about where to invest public and private contributions to the cost of training. At the very least, TDA believes that TAFE Institutes should constitute a separate category for the purposes of VTG funding, and that differential VTG funding rates should apply to TAFE Institutes in recognition of their distinctive community service obligations, fixed cost structures, and responsibility for state-owned capital assets.

Current purchasing arrangements provide an incentive to design low cost delivery models that are not necessarily consistent with high quality training outcomes. This is notable in the spread of online delivery and assessment models. Online training is a valuable teaching and learning strategy when it is integrated with face-to-face training in ways that maximise

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<sup>1</sup> See *Realising Australia's tertiary sector: The case for provider categories in VET*, TDA, 2011: [http://www.tda.edu.au/cb\\_pages/files/TDA%20Position%20of%20VET%20Provider%20Categories.pdf](http://www.tda.edu.au/cb_pages/files/TDA%20Position%20of%20VET%20Provider%20Categories.pdf)

learning outcomes. Without the focus on learning outcomes, online delivery readily becomes a means of reducing costs and maximising profit.

It must also be recognised that TAFE Institutes are essential to meeting training needs in segments of the training market where demand is low and cost recovery is difficult to achieve or is unattainable. This is particularly important in rural and regional Victoria. Purchasing arrangements must ensure regional economic development is adequately supported. A responsive TAFE training capability is also of central importance in the context of emerging industry sectors where training contributes to long term growth prospects but does not offer short term returns to training providers. Purchasing arrangements must ensure that TAFE can stand as a reliable supplier of high quality training design, delivery, assessment and resources for industry sectors that promise economic growth and skilled employment in the long term.

Purchasing arrangements must be designed to avoid rewarding throughput by resort to training designs that use short duration of training with no substantive reference to quality of training delivery and outcomes. Enrolment is not a training outcome. Short duration cannot be assumed to represent quality assessment or requisite skill development – benchmarks that are firmly based in industry expectations and learner capabilities are essential in determining adequate duration.

In small samples of providers in just two areas of training – aged and community care training, and White Card training – ASQA’s 2013 strategic audits found serious shortcomings in duration of training.<sup>2</sup> The Australian Qualifications Framework (AQF) specifies the volume of learning for each qualification level, expressed in equivalent full time years. The volume of learning is a critical starting point for determining whether a shorter period for delivery than that specified in the AQF is adequate. The TDA believes purchasing arrangements must have regard to volume of learning as a basis for allocating public funding.

TDA is also concerned about the distinction drawn by many commentators and VET stakeholders between ‘good’ for-profit providers and ‘bad’ or ‘rogue’ for-profit providers. At present the distinction is difficult to grasp and apply – not because it doesn’t exist, but because the data and benchmarks on which such a distinction could be drawn are unavailable. While there is a clear indication of increasing market share to private providers in the 2014 *Victorian training market report*,<sup>3</sup> it must be acknowledged that the number of students reported as enrolled with private providers include, for example, those of now deregistered Vocation Limited subsidiaries.

Nor is there always relevant information available to prospective students on which they can base an informed decision about which private training provider is appropriate their needs and can be reasonably relied upon to deliver high quality training outcomes. The My Skills website, for example, does not provide sufficient information about providers to support an individual’s assessment of individual providers’ track records or a comparison between providers. An informed decision about selecting a training provider would surely include clear information about the duration of qualification. Many prospective students have never made a training purchasing decision before, or have never made a single purchasing decision that involves a sum as substantial as the cost of a training program (whether VTG or personal contributions). In a demand driven system, such purchasers must have a simple

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<sup>2</sup> See *Training for aged and community care in Australia*, ASQA, 2013:  
[http://www.asqa.gov.au/verve/resources/Strategic\\_Reviews\\_2013\\_Aged\\_Care\\_Report.pdf](http://www.asqa.gov.au/verve/resources/Strategic_Reviews_2013_Aged_Care_Report.pdf)  
and

*Training for the White Card for Australia’s Construction Industry*, ASQA, 2013:  
[http://www.asqa.gov.au/verve/resources/Strategic\\_Reviews\\_2013\\_White\\_Card\\_Report.pdf](http://www.asqa.gov.au/verve/resources/Strategic_Reviews_2013_White_Card_Report.pdf)

<sup>3</sup> See *Victorian training market report 2014*, Department of Education and Training (Victoria):  
<http://www.education.vic.gov.au/Documents/training/providers/market/vtmr2014.pdf>

and reliable means of comparing the offerings of two or more providers on a range of indicators such as cost, qualification duration, and quality of training outcomes.

Yet the My Skills website does not provide such data or ease of comparison. My Skills claims to be:

... the national directory of vocational education and training (VET) organisations and courses. It is a federal government initiative to enable consumers to search for, and compare, VET courses and training providers.<sup>4</sup>

At the same time, My Skills steps away from this brief, in part because publicly available data about private RTOs is limited to publicly funded training reported under the National VET Provider Collection. The My Skills website notes that:

The training organisation statistics on My Skills may assist you in deciding which organisation best suits your needs. However, please note that not all training organisations currently have statistics on My Skills, and in all cases it is best to contact the training organisation directly to see what they can offer.<sup>5</sup>

Industry self-regulation is an insufficient response to circumstances in which students as purchasers (whether using their VTG entitlement or making a personal contribution) do not have access to reliable, relevant and comparable data about providers. The Victorian government's entitlement model and purchasing arrangements must have a surer foundation if community and industry confidence in Victoria's VET system is to be rebuilt. TDA believes that a more considered and moderate approach to contestability, alongside greater investment in TAFE Institutes as highly regarded public providers, offers a productive and measured way forward.

## **6. Restoring the viability of TAFE Institutes and recognising their distinctive characteristics**

Recommendations 1 and 2 propose a series of changes to purchasing arrangements which refocus the allocation of public funds on quality training outcomes and which recognise the distinctive role of TAFE Institutes as public providers. Through restoring the viability of TAFE Institutes, the proposed changes would also serve to support Institutes in furthering their capacity to lead the VET system through reinforcing quality benchmarks for training design, delivery and assessment.

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<sup>4</sup> My Skills website – accessed 16 April 2015:  
<http://www.myskills.gov.au/Footer/About>

<sup>5</sup> My Skills website – accessed 16 April 2015:  
<http://www.myskills.gov.au/Help>



- Establish different Qualification Rates for differing modes of delivery with institutional delivery funded at 100 per cent, and workplace-based and online delivery funded at 20 per cent;
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## **Recommendation 2 –**

### **Ensure TAFE institutes form the backbone of Victoria’s VET sector.**

That the Victorian government:

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## **7. Ensure public investment in VET supports high value training outcomes**

Victoria’s VET policy, regulatory arrangements and funding models have inadvertently encouraged unscrupulous for-profit RTOs and brokers to actively engage in misleading practices which have greatly damaged public confidence and trust in the state’s VET system. Such practices have distorted the training market by inducing people to enrol in training qualifications which they did not need or which were inappropriate to their needs. The reward for such unscrupulous behaviour was receipt of government funding.

Victoria’s VET system is unlikely to recover lost public trust until the community is confident that such behaviour is effectively scrutinised and penalised. Changes on several fronts are necessary to ensure that all brokers/third party agents and RTOs adhere to provisions that set clear expectations about ethical business practices in the training market.

The funding model for Victoria’s VET system must ensure that likely student success is carefully considered when a student enrolls in a higher level VET qualification. Unscrupulous providers and brokers/agents have set this consideration aside by enrolling students without any reference to their capacity to complete a Diploma or Advanced Diploma course of study. This is wasteful of public and private contributions to the cost of training. It is personally damaging for students who are inappropriately offered a training place. It marginalises the

economic benefit to the state as a whole that ought to be prioritised through industry responsive skills development and skills deepening.

TDA believes it is important to reaffirm an emphasis on RTOs and students working together for individual student success, and to accept that enrolling in the appropriate qualification is where the journey to success begins. TDA believes that some constraints must be placed on enrolment practices to maximise training benefits for individuals and the Victorian community as a whole. TDA believes that in the medium term monitoring will be assisted by the Unique Student Identifier. However, some monitoring mechanism is needed in the short term because 'rogue' private providers can prioritise profit over quality training outcomes in a demand driven system which emphasises individual decision making in a market where information asymmetries are considerable.

TDA believes that any RTO receiving public funding for VET delivery must have a formally constituted industry advisory body competent to offer advice on the adequacy of the match between industry needs, and training and assessment designs and practices. The industry perspective on vocational education and training must be prominent if the VET system is to fulfil its primary function of ensuring industry-informed skills development and skills deepening. Attention to industry perspectives is implemented as consistent good practice by TAFE Institutes. In current circumstances, regaining industry trust in the system would be well served by ensuring that every provider receiving public funding has a formal mechanism for engaging with industry.

The following recommendation proposes a number of legislative, regulatory and funding model provisions that would provide stronger safeguards against unscrupulous practices, including greater prominence for industry perspectives on the adequacy of training and assessment practice.

### **Recommendation 3 –**

#### **The Victorian government establish tighter contractual and monitoring arrangements for for-profit providers receiving public funds.**

That the Victorian government:

- Require that an RTO, as a condition of receiving VTG funding, gives an undertaking that all brokers/third party agents it uses are registered with HESG/VRQA, or are otherwise on the national register;
- Legislate to ensure that any third party agent that is not registered and which offers, or professes to offer, VET courses funded by VTG is liable for prosecution, and that there is mandatory suspension of contract for any RTO associated with such a third party agent;
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- Override entry requirements in training package qualifications so that, where VTG funds are available for Diploma or Advanced Diploma qualifications:
  - students are enrolled only if they have successfully completed an associated Certificate IV, or have an ATAR of 50 or higher
  - that mechanisms are instituted to monitor enrolment practices of RTOs contracted by the Victorian government to deliver qualifications at AQF levels 5 and 6.

## 8. Advancing Victoria's interests through international education

TDA recognises that international education sits outside the Review's terms of reference. Nonetheless, there is good reason to note the important role that TAFE plays in the international education arena, and the benefits that brings to Institutes and to Victoria.

Australian Education International data for the year ending December 2014<sup>6</sup> show Victoria had the largest national market share (33.8 per cent) of international student enrolments enrolled in VET public institutions, and the second largest national market share (28.9 per cent) of international student enrolments enrolled in private providers. While still significant at 6,687 international onshore TAFE enrolments in Victoria 2014, the great international education strength of Victoria's TAFE Institutes is offshore delivery. As is noted in the Victorian government's *International Education Strategy for Victoria 2013-2018*:

Victorian providers dominate Australian delivery of education off-shore, accounting for 75.3 per cent of Australia's off-shore public VET students in 2011 (around 44,000 students) and 45.3 per cent of off-shore higher education students (36,400 students).<sup>7</sup>

Transnational education expertise within TAFE Institutes is reflected in a breadth of formal and enduring international partnerships. This exposure to international offshore education brings benefits Victoria through the expansion and maintenance of expertise in Victoria's largest export sector, and one that is targeted for growth. Offshore delivery has the substantial benefit of prompting innovation in training design, delivery and assessment which benefits all TAFE Institute students. Export earnings from onshore and offshore delivery benefit the state, and also provide a profit stream for TAFE Institutes which is important for ongoing viability.

TDA encourages the Victorian government to leverage the state's strength in international tertiary education by encouraging innovative approaches that will deliver ongoing growth in the sector. In addition to the plans set out in the *International Education Strategy for Victoria* TDA suggests that the Victorian government establish a pool of funds, allocated on a competitive basis, that supports universities and TAFE Institutes to bring together in target markets their expertise in training, teaching and research. Closer cooperation and integrated strategy is likely to deliver greater benefits to both the Victorian TAFE and university sectors, and consequently greater benefits for the Victorian economy.

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<sup>6</sup> Figures from *VET Sector Report International Student Data December 2014*, prepared by TAFE Queensland International from Australian Education International data.

<sup>7</sup> See page 7 of the *International Education Strategy for Victoria 2013-2018*, now the responsibility of the Victorian Department of Economic Development, Jobs, Transport and Resources: [http://dsdbi.vic.gov.au/data/assets/pdf\\_file/0016/1005073/PDF-International-Education-Strategy-2013-2018.PDF](http://dsdbi.vic.gov.au/data/assets/pdf_file/0016/1005073/PDF-International-Education-Strategy-2013-2018.PDF)