

General Purpose Standing Committee No. 6

# **Vocational education and training in New South Wales**

Ordered to be printed 15 December 2015 according to  
Standing Order 231

**New South Wales Parliamentary Library cataloguing-in-publication data:**

**New South Wales. Parliament. Legislative Council. General Purpose Standing Committee No. 6**

Vocational education and training in New South Wales / General Purpose Standing Committee No. 6 [Sydney, N.S.W.] : the Committee, 2015. xviii, 214 pages ; 30 cm. (Report no. 3 / General Purpose Standing Committee No. 6)

“December 2015”

Chair: The Hon. Paul Green, MLC.

ISBN 9781922258113

1. Occupational education – New South Wales.
2. Vocational education – New South Wales.
- I. Green, Paul.
- II. Title.
- III. Series: New South Wales. Parliament. Legislative Council. General Purpose Standing Committee No. 6. Report ; no. 3

370.944 (DDC22)

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## Terms of reference

1. That General Purpose Standing Committee No 6 inquire into and report on vocational education and training in New South Wales, and in particular:
  - (a) the factors influencing student choice about entering the vocational education and training system including:
    - (i) motivation to study
    - (ii) choice of course, course location and method of study
    - (iii) barriers to participation, including students in the non-government education and home schooling sectors
  - (b) the role played by public and private vocational education providers and industry in:
    - (i) educational linkages with secondary and higher education
    - (ii) the development of skills in the New South Wales economy
    - (iii) the development of opportunities for unemployed people, particularly migrants and persons in the mature workers' category, to improve themselves and increase their life, education and employment prospects,
    - (iv) the delivery of services and programs particularly to regional, rural and remote communities
  - (c) factors affecting the cost of delivery of affordable and accessible vocational education and training, including the influence of the co-contribution funding model on student behaviour and completion rates
  - (d) the effects of a competitive training market on student access to education, training, skills and pathways to employment, including opportunities and pathways to further education and employment for the most vulnerable in our community including those suffering a disability or severe disadvantage
  - (e) the level of industry participation in the vocational education and training sector, including the provision of sustainable employment opportunities for graduates, including Competency Based Training and the application of training packages to workforce requirements, and
  - (f) the Smart and Skilled reforms, including:
    - (i) alternatives to the Smart and Skilled contestable training market and other funding policies
    - (ii) the effects of the Smart and Skilled roll out on school based apprenticeships
  - (g) any other related matter.
2. That the committee report by Tuesday 17 November 2015.<sup>1</sup>

These terms of reference were referred to the committee by the Legislative Council on 3 June 2014.

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<sup>1</sup> The reporting date was later extended to 15 December 2015 (*Minutes*, Legislative Council, 15 October 2015, p 456).

## Committee membership

<b>The Hon Paul Green MLC</b>	Christian Democratic Party	<i>Chair</i>
<b>The Hon Lou Amato MLC</b>	Liberal Party	<i>Deputy Chair</i>
<b>The Hon Catherine Cusack MLC</b>	Liberal Party	
<b>The Hon Greg Donnelly MLC*</b>	Australian Labor Party	
<b>The Hon Scott Farlow MLC</b>	Liberal Party	
<b>Dr John Kaye MLC**</b>	The Greens	
<b>The Hon Daniel Mookhey MLC</b>	Australian Labor Party	

\* The Hon Greg Donnelly substituted for the Hon Ernest Wong from 25 August 2015 for the duration of the inquiry.

\*\* Dr John Kaye substituted for Mr David Shoebridge from 4 June 2015 for the duration of the inquiry.

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## Chair's foreword

The beginning of 2015 saw one of the biggest reforms to vocational education and training in the state's history: Smart and Skilled. While Smart and Skilled is an extraordinarily complex reform, at its heart it implements the shift to a contestable training market, where students eligible for government-subsidised training can choose to use that subsidy to study at any approved training organisation, public or private. This effectively means that TAFE NSW, the state's public provider, must now compete with other providers to deliver government-funded vocational education and training.

This fundamental change to the way the government funds vocational education and training is the result of a 2012 agreement between all the states and territories. New South Wales is the last state to implement this reform, which aims to introduce greater competition into the sector. There is therefore no going back to a situation where TAFE has a monopoly on delivering government-funded training; as the saying goes, you can't unscramble an egg.

Having considered the evidence, the committee believes that a contestable training market will benefit all parts of the sector over time, driving up quality and efficiency, and ultimately benefiting students, industry and the economy. Accordingly, the committee concluded that there should be no ceiling or cap on the overall level of government funding that is contestable; rather, the level of contestability should be determined gradually over time, as TAFE becomes a seasoned competitor in the market. In considering increasing the level of contestability in the future, the government should exercise caution and restraint to avoid the mistakes of other jurisdictions. As a general principle, the vocational education and training sector will ultimately be stronger if we harness the gifts and talents of public, private and community providers alike, just as in the school system.

This is not to say that there haven't been significant problems with the way that Smart and Skilled was designed and implemented. Many of these problems were foreseeable, and have undermined the roll-out of the reforms, unfortunately to the detriment of both students and providers. Some of these problems, such as the eligibility bar prohibiting students with a previous higher qualification from accessing subsidised training, have already been addressed, with the eligibility rules changed for 2016. However, other problems remain.

In terms of the pricing and fee arrangements under Smart and Skilled, the committee heard that some qualification prices paid to training providers appear to have been too low to cover the costs of delivering the course, whereas student fees for some courses have increased dramatically. The committee recommends that the review into Smart and Skilled being overseen by the NSW Skills Board take into account these concerns. The committee also recommends further research and modelling on pricing by the NSW Skills Board.

In addition, the committee concluded that the current 'one size fits all' 15 per cent disability loading should be abolished and replaced with a new disability loading system based on the principle of individual needs, which may include a sliding scale. This will create a system that takes into account the individual special needs of each student.

Numerous training providers expressed concern about their contractual arrangements with the government. The payment structure and lack of certainty around the length of the contracts have created real difficulties for providers in managing their cash flows and investing in their businesses. The committee recommends that these arrangements be changed. Another message that has come through

loud and clear is that the application process to become an approved Smart and Skilled provider was far from satisfactory. Many providers told us they were left in the dark as to how they would be assessed. In addition, the methodology used missed the bigger picture by focusing on providers' numerical scores against standard criteria, rather than allowing them to provide qualitative information. These problems, together with less than adequate communication between the government and providers, made the process more difficult than it should have been. Going forward, we recommend that the government improve the Smart and Skilled provider application process by addressing these issues.

Ensuring that students living in regional, rural and remote areas have access to high quality vocational education and training has been at the forefront of our minds in this inquiry, as we travelled across the state to learn about the challenges and opportunities faced in these areas. Based on this evidence, we concluded that the contestable training market under Smart and Skilled is not working in these 'thin markets', with TAFE NSW in many cases the only available provider. The committee calls on the government to modify the funding arrangements under Smart and Skilled to limit contestability for regional, rural and remote areas. This could be done by placing a cap on the level of contestable funding available in areas deemed to be thin markets, and by allocating the relevant TAFE institutes additional direct funding. Nothing less than the long-term sustainability of regional, rural and remote communities is at stake.

The committee received abundant evidence concerning the botched roll-out of the new TAFE NSW IT system known as SALM/EBS. Despite knowing about potential problems prior to the introduction of the system in January 2015, the government appears to have been slow to provide the necessary resources and support when those problems eventuated, with the burden falling on TAFE staff and students. We find this situation deeply disturbing. While TAFE needed to introduce a new IT system to support Smart and Skilled, we have no confidence that SALM/EBS can be made to work. The committee can reach no other conclusion than that the SALM/EBS system is so dysfunctional that it must be abolished. The government should go back to the drawing board.

Staying with TAFE, many stakeholders – current and former students, as well as teachers and other staff – were passionate in expressing their support of TAFE and their concerns about the changes they see happening in campuses across the state. It is important to recognise that these changes are not just the result of Smart and Skilled, but are part of a bigger process over the past few years to move TAFE into the twenty first century and make it more competitive. TAFE is currently exploring many promising opportunities in the area of asset management. In particular, the committee believes that TAFE should allow other providers to use its facilities for a commercial fee, subject of course to rigorous safety precautions and guaranteed secure access by TAFE to its buildings and facilities. Taxpayers are entitled to get a greater return on these assets, providing better value for the community.

These and other changes, such as to TAFE's staffing profile and cuts to administrative overheads, may be a bitter pill to swallow but are necessary if TAFE is to thrive in a competitive training market, while continuing to provide the supportive learning environment of which it is justifiably proud. Nevertheless, the committee recognises that Smart and Skilled represents a significant change in TAFE's operating environment. Enrolment numbers appear to have suffered, with face-to-face course delivery hours declining in some courses. This is concerning, particularly for those courses involving high safety risks. The committee urges the government to establish and enforce minimum face-to-face delivery hours for all courses subsidised under Smart and Skilled to ensure that there is adequate teaching time.

The committee received a multitude of complaints about 'dodgy' training providers who are said to be exploiting the Australian Government's VET FEE-HELP loan scheme at the cost of disadvantaged

students. An apparent increase in this type of unscrupulous behaviour, and the media attention surrounding it, coincided with the introduction of Smart and Skilled this year. This may have helped fuel the perception that the majority of private providers behave this way, and that the contestable training market brought about under Smart and Skilled is to blame. However, this is not the case. The practices of a small minority of private providers who engage in ‘tick and flick’ training are certainly not representative of the vast majority of providers in receipt of Smart and Skilled funding, who are committed to providing quality training to their students. In terms of mechanisms in place to regulate the behaviour of providers, while we welcome recent changes to the VET FEE-HELP scheme, we also note that the Federal Minister for Education and Training recently stated that the Australian Government intends to introduce a new model for VET FEE-HELP in 2017. The committee urges the Australian Government to pursue the new model as a matter of urgency, with stronger safeguards against abuse. The committee also recommends several measures aimed at strengthening the state’s own regulatory framework.

The final part of the vocational education and training sector we examined is school-based programs like TVET, VETiS and school-based apprenticeships and traineeships. We believe these programs play a critical role in engaging students who find themselves like a square peg in a round hole at school, and who might otherwise fall through the cracks. The committee acknowledges the government’s significant investment in these programs, but notes that the public and private school sectors tend to take different approaches in covering the cost to students of delivering these programs. This is clearly an equity issue. We therefore recommend a review of the funding arrangements for school-based vocational education and training programs to promote equity of access between public and private school students. The government should further promote equity by allowing home-schooled students to access Smart and Skilled subsidies. The committee also calls for the expansion of the school-based apprenticeship and traineeship program, particularly for students living in regional, rural and remote areas.

More should be done to promote vocational education and training as a first choice pathway into fulfilling post-school employment. We recommend that school careers advice be improved to ensure students, parents and teachers are empowered with this knowledge.

As someone who is themselves the product of the vocational education and training system, I know that it has the power to change lives. It is my hope that the government implements the recommendations in this report so that future generations of students can experience this for themselves, and so that our vocational education and training system fuels job creation and economic growth.

Finally, I would like to recognise the contribution of my committee colleagues and acknowledge, on their behalf, the valuable contribution made by all participants in this inquiry.



The Hon Paul Green MLC  
**Chair**

## Recommendations

### Recommendation 1

*Page 42*

That the NSW Government require IPART to revise its market price testing procedures to reflect current market conditions in the vocational educational and training sector.

### Recommendation 2

*Page 43*

That the NSW Government ensure that the Smart and Skilled review being overseen by the NSW Skills Board takes into account concerns regarding inadequate pricing of qualifications and high student fees.

### Recommendation 3

*Page 43*

That prior to endorsing any fee structure, the NSW Skills Board model the price elasticity of demand of different qualification prices.

### Recommendation 4

*Page 43*

That the NSW Skills Board research whether an 'efficient price mechanism' is suitable for estimating the cost of a non-commodified service like vocational education, or whether alternative pricing mechanisms would produce more equitable and efficient outcomes.

### Recommendation 5

*Page 44*

That the NSW Government make vocational education and training under Smart and Skilled more accessible to students with a disability by:

- abolishing the current 'one size fits all' 15 per cent disability loading
- developing and implementing a new disability loading system based on the principle of individual needs, which may include a sliding scale, in consultation with the disability sector
- removing the requirement to declare disability on enrolment in order to access the disability fee exemption and loading, allowing students with a disability to access these supports at any stage throughout their studies
- providing more information around why disability questions are asked only at the enrolment stage.

### Recommendation 6

*Page 45*

That the NSW Government improve the Smart and Skilled contractual arrangements with training providers by:

- extending the contracts to three-year terms, subject to the budget appropriation process and providers demonstrating satisfactory performance
- amending its current policy so that private providers are paid upon completion of a unit rather than in stages, similar to the policy in use in Victoria, Queensland and Western Australia
- continuing to look at ways of improving its arrangements with providers as part of the Smart and Skilled review being overseen by the NSW Skills Board.

**Recommendation 7***Page 56*

That the NSW Government improve the Smart and Skilled provider application process by:

- enabling applicants to provide more qualitative information
- including industry standing and Australian Skills Quality Authority accreditation track record as part of the criteria used to assess providers
- making public the methodology used to assess providers
- establishing a phone line for providers to ask questions and receive feedback on the provider application process.

**Recommendation 8***Page 65*

That the NSW Government modify the Smart and Skilled funding arrangements to limit contestability for regional, rural and remote areas by:

- considering placing a cap on the level of contestable funding for areas deemed to be thin markets
- considering allocating additional Community Service Obligation funding to TAFE NSW institutes operating in thin markets
- conducting an annual review to identify thin markets and decide on funding needs, involving consultation with industry, training providers and the community.

**Recommendation 9***Page 84*

That the NSW Government establish and enforce minimum face-to-face delivery hours for all courses subsidised under Smart and Skilled to ensure that there is adequate teaching time.

**Recommendation 10***Page 85*

That the NSW Skills Board study the post-qualification outcomes of graduates of online courses, compared with graduates of face-to-face courses, to determine whether there is any variance in employment, income and participation in further vocational or tertiary education.

**Recommendation 11***Page 85*

That TAFE NSW:

- allow other training providers to use its facilities for a commercial fee, subject to rigorous safety precautions
- be guaranteed secure access to its buildings and facilities.

**Recommendation 12***Page 86*

That the NSW Government continue to support the IPROWD program and liaise with the Australian Government regarding continued funding and support for this program so that it may expand in the future.

**Recommendation 13***Page 86*

That the NSW Government:

- make public the amount and breakdown of TAFE NSW's direct funding allocations
- make public the memorandum of understanding regarding the accountability arrangements for the direct funding allocations
- expedite the development of clear and transparent guidelines for the use of Operational Base Funding and Community Service Obligation funding.

**Recommendation 14***Page 97*

That the NSW Government abolish the SALM/EBS system used by TAFE NSW, and go back to the drawing board.

**Recommendation 15***Page 97*

That TAFE NSW introduce simpler online and hard copy course, fee and enrolment information for students, and establish a phone line to guide students through the enrolment process.

**Recommendation 16***Page 109*

That the NSW Government lobby the Australian Government to:

- introduce a new model for VET FEE-HELP as a matter of urgency, with stronger safeguards against abuse
- ensure that the Australian Skills Quality Authority has adequate funding and powers to deal with 'dodgy' providers.

**Recommendation 17***Page 109*

That the NSW Government ensure that the Smart and Skilled review being overseen by the NSW Skills Board examines ways of improving the performance monitoring and compliance provisions in the Smart and Skilled contracts.

**Recommendation 18***Page 110*

That the NSW Government recognise that it has primary responsibility for regulating quality outcomes and ensuring contractual compliance for all providers in receipt of Smart and Skilled contracts.

**Recommendation 19***Page 110*

That State Training Services include in all Smart and Skilled contracts:

- performance standards reflective of all the conditions contained in the Smart and Skilled Quality Framework
- the requirement for a provider to consent to any inspection by an authorised State Training Services agent, and any request for any document relevant to a State Training Services investigation.

**Recommendation 20***Page 110*

That independently of the Australian Skills Quality Authority, State Training Services develop an audit and compliance strategy that, throughout the course of a three-year contract, ensures that every provider is checked for contractual compliance, and continued compliance with the NSW Quality Framework.

**Recommendation 21***Page 111*

That the NSW Government investigate:

- further compliance measures that may allow State Training Services to recover any student fee or contribution for any student found to have been adversely affected by a breach of a Smart and Skilled contract
- the option of banning any vocational provider from participation in the Smart and Skilled program if that provider, at any time, has been found to have unscrupulously offered any inducement to a student to enrol in a vocational education and training course

- the option of including in all Smart and Skilled contracts a termination clause that lets State Training Services terminate any contract if a contractor has been found to have unscrupulously offered any inducement to a student to enroll in a vocational education and training course while contracted to State Training Services.

**Recommendation 22**

*Page 126*

That the NSW Government improve school careers advice on vocational education and training by:

- providing better quality guidance to students, parents and teachers in relation to vocational pathways
- promoting the range of vocational education and training options available
- seeking input from industry.

**Recommendation 23**

*Page 126*

That the NSW Government review the funding arrangements for school-based vocational education and training programs to promote equity of access between public and private school students.

**Recommendation 24**

*Page 126*

That the NSW Government expand the school-based apprenticeship and traineeship program to facilitate greater participation by students, including those living in regional, rural and remote areas.

**Recommendation 25**

*Page 127*

That the NSW Government promote equity by amending the Smart and Skilled eligibility criteria to allow registered home-schooled students to access subsidised Smart and Skilled entitlement training.



# Chapter 1 Introduction

This chapter provides an overview of the conduct of the inquiry into vocational education and training in New South Wales, and includes a brief outline of the structure of this report.

## Conduct of the inquiry

### Submissions

- 1.1 The committee's call for submissions was made via Twitter and a media release to all media outlets in New South Wales, along with letters to stakeholders with a likely interest in the inquiry.
- 1.2 The inquiry received a total of 278 submissions and 3 supplementary submissions. A list of submissions can be found in **appendix 1**; the submissions themselves are published on the committee's website.

### Public hearings and site visits

- 1.3 The committee held a total of eight public hearings over the duration of the inquiry. Three hearings took place at Parliament House, and five were held at TAFE NSW campuses in various regional areas around the state: Wollongbar, Lismore, Newcastle, Nowra and Wollongong. The committee also conducted a campus tour at each of these locations.
- 1.4 A list of witnesses is available at **appendix 2** and a list of the documents tabled during the hearings is included in **appendix 3**.
- 1.5 In addition, the committee conducted a site visit of the TAFE NSW Belmont campus, including a tour of the electrotechnology facilities, and held an informal meeting with local TAFE teachers and students, on 18 September 2015.
- 1.6 On 3 November 2015, the committee conducted a site visit of the TAFE NSW Dubbo campus. The committee met with the TAFE NSW Western Institute Executive Committee, before visiting the campus's IPROWD program and conducting a campus tour. Later that day, the committee conducted a site visit of the Macquarie Anglican Grammar School.

## Report structure

- 1.7 **Chapter 2** of the report gives an overview of the development and key features of the contestable training market Smart and Skilled, and examines the key changes to skills training brought about by that reform.
- 1.8 **Chapter 3** examines some of the problems that have since been identified with the design and implementation of Smart and Skilled in its first year of operation, as well as recently announced policy changes intended to address some of these problems.

- 1.9** **Chapter 4** then discusses the process by which Smart and Skilled contracts were allocated to approved providers for 2015.
- 1.10** In **chapter 5**, the report explores the challenges and opportunities posed by delivering vocational education and training to regional, rural and remote communities.
- 1.11** The focus of **chapter 6** is the impact that Smart and Skilled has had on TAFE NSW.
- 1.12** **Chapter 7** examines the introduction of a new IT system, known as SALM/EBS, into TAFE NSW at the beginning of 2015, and also explores issues surrounding the accessibility of course information.
- 1.13** **Chapter 8** goes on to examine concerns that have been raised with the behaviour of, and quality of training delivered by, private registered training organisations, as well as the regulatory mechanisms in place.
- 1.14** Finally, in **chapter 9** the report discusses various issues regarding the provision of vocational education and training to secondary school students in New South Wales.

## Chapter 2 Smart and Skilled and the shift to a contestable market

Vocational education and training is a vital component of the tertiary education sector, delivering workplace specific skills and knowledge to a variety of people and industries. It provides accredited training and technical skills, specific to careers such as trades, child care, health and disability services, hospitality and technology. In general, skilled workers have higher rates of labour productivity, high rates of workforce participation, and are less likely to suffer from prolonged periods of unemployment. Successive NSW Governments have concluded that these benefits are in the public interest and, historically, have utilised different provision models to ensure universal access to vocational education.

On 1 January 2015, significant reform of the vocational education and training sector in New South Wales was introduced through a policy known as Smart and Skilled. The key shift brought about by Smart and Skilled is the move to a more contestable market.

This chapter commences with an overview of the development and key features of the Smart and Skilled policy. The chapter concludes by examining the opportunities created by the shift to a contestable training market, as well as different perspectives on the shift to contestability.

### Background

- 2.1** Vocational education and training in this state began with the founding of the Sydney Mechanics' School of Arts in 1833. By 1880 there were 79 technical colleges across New South Wales. Three years later, the government assumed responsibility for Sydney Technical College. This date is often quoted as the year TAFE was born.<sup>2</sup>
- 2.2** Since that time, the vocational education and training sector has seen many rounds of significant reform. In the latter half of the twentieth century, post-school, non-university vocational education was almost entirely delivered through TAFE colleges. However, by 2010 an increasing number of commercial providers had entered the sector, with this shift occurring in the context of an overall change in the provision of a number of government services.<sup>3</sup>

### Key players in the vocational education and training sector

- 2.3** There are a number of key players in the vocational education and training sector in New South Wales. The key entities and authorities are:
- State Training Services within the NSW Department of Industry – the state government agency responsible for establishing and operating mechanisms for state funding of vocational education and training in New South Wales
  - the Australian Skills Quality Authority – the national certification body and regulator of vocational education and training providers and qualifications

<sup>2</sup> TAFE NSW, *Our History*, <https://www.tafensw.edu.au/about-tafensw/our-history>.

<sup>3</sup> NSW Parliamentary Research Services, *TAFE organisation and funding in NSW: past and present*, E-Brief Issue 17/2014, November 2014, p 1.

- registered training organisations, including TAFE NSW as well as private and community-based providers – training providers that are registered by the Australian Skills Quality Authority, and who are responsible for training and assessing students against nationally accredited competencies
- publicly-funded independent industry bodies, such as Industry Skills Councils and NSW Industry Training Advisory Bodies – responsible for identifying and developing new and amended qualifications and training packages, and facilitating industry engagement, support, advice and information to government.<sup>4</sup>

### **Role of the Australian Government**

- 2.4** Although vocational education and training is primarily the responsibility of state and territory governments, the Australian Government plays an important role in relation to funding and regulation. The National Agreement for Skills and Workforce Development, a schedule to the Intergovernmental Agreement on Federal Financial Relations, identifies the long-term objectives of the Australian and state and territory governments in the areas of skills and workforce development, and recognises the interest of all governments in ensuring the skills of the Australian people are developed and utilised in the economy.<sup>5</sup>
- 2.5** In addition, the training delivered by registered training organisations is based on the Australian Qualifications Framework, a nationally agreed framework which identifies the qualifications available in the vocational education and training sector, and sets the standards for these qualifications by specifying and standardising the outcomes achieved.<sup>6</sup>

### **Key milestones in the development of Smart and Skilled**

- 2.6** The introduction of the Smart and Skilled initiative has been several years in the making.
- 2.7** In **April 2012** the Council of Australian Governments (COAG) agreed to a revised National Agreement for Skills and Workforce Development and a new National Partnership Agreement on Skills Reform. The national partnership agreement runs until 30 June 2017 and provides commonwealth incentive payments to states and territories to introduce, *inter alia*, greater competition in the vocational education and training sector. The stated outcome sought by the national partnership agreement is to foster a more accessible, transparent and efficient training sector that is responsive to the needs of students, employers and industry, and delivers quality training.<sup>7</sup>
- 2.8** The national partnership agreement's two key reform directions were:

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<sup>4</sup> Department of Industry, State Training Services, *Vocational Education and Training Major Players*, [http://www.training.nsw.gov.au/vet/major\\_players/index.html](http://www.training.nsw.gov.au/vet/major_players/index.html).

<sup>5</sup> Council of Australian Governments, *National Agreement for Skills and Workforce Development*, p 2.

<sup>6</sup> Department of Industry, State Training Services, *Smart and Skilled Glossary*, <https://smartandskilled.nsw.gov.au/about/glossary>.

<sup>7</sup> Council of Australian Governments, *National Partnership Agreement on Skills Reform*, [http://www.federalfinancialrelations.gov.au/content/npa/skills/skills-reform/national\\_partnership.pdf](http://www.federalfinancialrelations.gov.au/content/npa/skills/skills-reform/national_partnership.pdf).

- the introduction of a so-called national training ‘entitlement’ up to Certificate III level, which is accessible through any public or private registered training organisation that meets state-based criteria for access to the national training entitlement
- increased availability of income-contingent loans for vocational education and training qualifications.<sup>8</sup>

**2.9** Under the national partnership agreement, the Australian Government agreed to provide up to \$561.6 million in funding to New South Wales over five years, in return for the state agreeing to a number of measures, including:

- introduce an ‘entitlement’ for entry-level training up to Certificate III level
- ensure access and equity for students
- support and improve the competitiveness of TAFE
- increase the number of people completing post-school qualifications by 14 per cent annually.<sup>9</sup>

**2.10** In **October 2012**, the NSW Minister for Education, the Hon Adrian Piccoli MP, announced that the policy reform implementing this agreement would be introduced in 2014, to be known as Smart and Skilled.

**2.11** In **February 2013**, the government commissioned the Independent Pricing and Regulatory Tribunal (IPART) to advise on price and fee arrangements for Smart and Skilled. IPART’s report was finalised in **October 2013**, and in the same month it was announced that the introduction of Smart and Skilled would be deferred to 1 January 2015. This was to allow extra time to resolve the funding, governance and legislative arrangements for the transition to Smart and Skilled.

**2.12** **November 2013** saw the creation of the NSW Skills Board, a statutory advisory body responsible for overseeing the reform of the vocational education and training sector. As well as endorsing the NSW Skills List, which specifies the qualifications eligible for government subsidies under Smart and Skilled, the Skills Board also conducted a review of the pricing methodology developed by IPART. The board recommended a staged transition to IPART’s recommended student fees, with lower fees in 2015.

**2.13** By **February 2014**, the Skills Board approved a methodology for allocating state government funding to providers for delivering both:

- ‘entitlement’ training up to Certificate III, as per the national partnership agreement
- higher level courses in areas the NSW Government identified as ‘Targeted Priorities’.

**2.14** In **July 2014**, TAFE NSW was separated from the Department of Education and commenced operating as a separate government agency.

<sup>8</sup> Council of Australian Governments, *National Partnership Agreement on Skills Reform*, April 2012, p 23.

<sup>9</sup> New South Wales Auditor-General’s Report, *Performance Audit: Vocational Education and Training Reform*, 29 January 2015, p 13.

- 2.15** The provider application process, whereby registered training organisations applied for Smart and Skilled contracts, opened in **June 2014** and closed in **August 2014**. Contracts were offered to successful RTOs in **October 2014**.
- 2.16** On **1 January 2015**, Smart and Skilled commenced, with 338 providers approved to provide government subsidised training. The approved providers included the ten TAFE NSW institutes, the TAFE Open Education and Training Network and 32 Community Colleges.
- 2.17** The transfer of State Training Services from the Department of Education to the Department of Industry occurred on **1 July 2015**.<sup>10</sup> This was done with the stated aim of aligning vocational education and training policy with industry needs, job creation and economic growth.<sup>11</sup>

## Key elements of Smart and Skilled

- 2.18** Smart and Skilled is an implementation designed to fulfil one of the state's obligations under the National Partnership Agreement on Skills Reform. The initiative includes a number of policy measures designed to balance various government objectives, including budget neutrality, TAFE viability, improved quality of vocational education and training, access for regions and equity groups, and increased contestability and student choice.<sup>12</sup>
- 2.19** The following table provides an overview of the new funding arrangements under Smart and Skilled.

**Table 1 Overview of funding arrangements**

Funded by NSW Government under Smart and Skilled		Not funded under Smart and Skilled
Entitlement – as per national partnership agreement	Targeted Priorities – as set by the NSW Government	Everything else
Funds full qualifications for: <ul style="list-style-type: none"> <li>• Certificates I, II and III (including Foundation courses at I-II level) for qualifications on the NSW Skills List, and where the student meets the eligibility criteria</li> <li>• apprenticeships and traineeships</li> </ul>	Funds: <ul style="list-style-type: none"> <li>• full qualifications for Certificate IV to Advanced Diploma in Targeted Priority areas</li> <li>• part qualifications, such as pre-apprenticeships and pre-traineeships</li> </ul>	For: <ul style="list-style-type: none"> <li>• Certificates I, II and III qualifications, student pays full price where the student is not eligible for Smart and Skilled subsidy</li> <li>• Certificate IV and above qualifications, income-contingent VET FEE-HELP loans are available</li> </ul>

<sup>10</sup> New South Wales Auditor-General's Report, *Performance Audit: Vocational Education and Training Reform*, 29 January 2015, pp 45-46.

<sup>11</sup> Evidence, Hon John Barilaro, Minister for Skills, 22 September 2015, p 26.

<sup>12</sup> Presentation entitled 'Smart and Skilled' by Mr David Collins, Executive Director, Market Quality and Operations, NSW Department of Industry, dated 10 September 2015, p 3.

### The ‘entitlement’

- 2.20** Under the Smart and Skilled ‘entitlement’, eligible individuals are entitled to subsidised training up to Certificate III level. Generally, an eligible individual must:
- be 15 years of age or older
  - no longer attend school, including home schooling
  - be living in or working in New South Wales
  - be an Australian citizen, Australian permanent resident, Australian permanent humanitarian visa holder or New Zealand citizen
  - not have completed a Certificate IV or higher-level qualification.<sup>13</sup>
- 2.21** Student entitlements cover the following qualifications:
- Certificates I and II Foundation Skills, which teach skills required for participation in workplaces such as literacy and numeracy
  - Certificates II and III, which teach knowledge and skills for work and further learning
  - apprenticeship and traineeship qualifications at all levels.<sup>14</sup>
- 2.22** Students eligible for the entitlement may choose to use their subsidy to study at either a TAFE college or at an approved private provider. It is this demand-driven ‘entitlement’ that is the key to implementing a contestable training market in New South Wales. The contestable market is discussed further below.

### The ‘Targeted Priorities’

- 2.23** Smart and Skilled also provides government subsidies to eligible individuals studying Certificate IV, Diploma and Advanced Diploma courses in ‘Targeted Priorities’ areas. These are qualifications in areas where the government has identified skills shortages and where government investment is critical to support demand.<sup>15</sup> Targeted Priorities qualifications include Certificate IV in Manufacturing Technology, Diploma of Early Childhood Education and Care, and Advanced Diploma of Agriculture. Targeted Priorities also covers some pre-vocational part qualifications that are targeted to specific groups and/or sectors.
- 2.24** Generally speaking, funding for Targeted Priorities courses is given directly to TAFE NSW. This means that TAFE does not have to compete with other providers for funding to deliver Certificate IV, Diploma and Advanced Diploma qualifications.<sup>16</sup>

<sup>13</sup> Department of Industry, State Training Services, *Are you eligible for Smart and Skilled training?*, <https://smartandskilled.nsw.gov.au/are-you-eligible>.

<sup>14</sup> Department of Industry, State Training Services, Smart and Skilled NSW Skills List <https://smartandskilled.nsw.gov.au/about/nsw-skills-list>.

<sup>15</sup> Answers to supplementary questions, Mr David Collins, Executive Director, Market Quality and Operations, NSW Department of Industry, 22 October 2015, p 2.

<sup>16</sup> Answers to supplementary questions, Mr Collins, 22 October 2015, p 2.

### **The Skills List**

- 2.25** The NSW Skills List sets out which qualifications are eligible for government subsidies under Smart and Skilled, targeting those qualifications that are asserted to be more likely to lead to employment outcomes.<sup>17</sup> State Training Services advised that the qualifications listed were determined by the NSW Government following extensive consultation with industry and community stakeholders, and as noted earlier, were endorsed by the NSW Skills Board. The Skills List will be updated on an annual basis and subject to ongoing monitoring and review of the needs of New South Wales regions, businesses and industries.<sup>18</sup>
- 2.26** The Skills List contains over 700 qualifications and identifies which ones fall under the entitlement program, and which ones fall under the Targeted Priorities program.

### **VET FEE-HELP**

- 2.27** There are a number of reasons why a student may not be eligible for subsidies under either the entitlement or Targeted Priorities programs, for example:
- for Certificates I, II and III, the student does not meet the Smart and Skilled eligibility requirements or the qualification is not on the NSW Skills List
  - for Certificate IV and above, the qualification does not fall under the Targeted Priorities.
- 2.28** Those students who are not eligible for government subsidised training under Smart and Skilled entitlements or Targeted Priorities can access vocational education and training:
- for Certificates I, II and III, by paying the full price for the qualification
  - for some Certificate IV qualifications as well as all Diploma and Advanced Diploma qualifications, by borrowing the money to cover the price of the qualification via the Australian Government's income-contingent loan scheme known as VET FEE-HELP.
- 2.29** Under VET FEE-HELP, eligible students – including those who are studying a Targeted Priorities qualification and are already partially subsidised under Smart and Skilled – can borrow up to \$97,728 in total over their lifetimes to cover student fees. Full-fee paying students are required to pay a 20 per cent loan fee to access VET FEE-HELP.<sup>19</sup>
- 2.30** VET FEE-HELP loans are income-contingent, which means that students must start repaying the debt through the taxation system once their income reaches a certain level. In 2015-16, the compulsory repayment threshold is \$54,126.<sup>20</sup>

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<sup>17</sup> Evidence, Mr Barilaro, 22 September 2015, p 26.

<sup>18</sup> Department of Industry, State Training Services, *Smart and Skilled NSW Skills List* <https://smartandskilled.nsw.gov.au/about/nsw-skills-list>.

<sup>19</sup> Australian Government, Study Assist, *VET FEE-HELP*, <http://studyassist.gov.au/sites/studyassist/help-payingmyfees/vet-fee-help/pages/vet-fee-help#HowMuchCanIBorrow>.

<sup>20</sup> Australian Government, Study Assist, *Loan Repayment*, <http://studyassist.gov.au/sites/studyassist/payingbackmyloan/loan-repayment/pages/loan-repayment>.

- 2.31 VET FEE-HELP loans are currently indexed at the annual inflation rate (CPI). Legislation before the Commonwealth Parliament to raise this indexation rate to the Treasury 10 year bond rate (to a maximum of 6.0 per cent per annum) is currently blocked by the Senate but remains Australian Government policy.<sup>21</sup>

### Fees and prices under Smart and Skilled

- 2.32 As mentioned above, the NSW Government sought the advice of IPART in developing a methodology for determining the price and fee arrangements for government-funded vocational education and training. IPART's pricing recommendations were based on its estimate of the so-called efficient price of delivering the qualifications, subject to certain policy principles set by the government, listed below.

- 2.33 IPART defines efficient pricing as the level of pricing that would recover efficient costs, which it defines as:

**[E]fficient costs** mean the type and level of costs that would be incurred by an RTO operating in a fully competitive market. We did not conduct our own efficiency review to estimate these costs. We used available information and analysis, including detailed information on the costs incurred by TAFE in recent years (and the drivers of these costs) and data on the prices sought by private RTOs in the 2011/12 Strategic Skills Program (SSP) tender process. We excluded costs that would not be incurred by an RTO in a competitive environment, such as costs incurred by TAFE that will in future be funded through its operational base funding.<sup>22</sup>

- 2.34 The pricing policy principles set out by government include:

- price and fee arrangements will apply consistently across all approved training organisations delivering subsidised training
- students will pay a set fee per qualification rather than an annual fee
- exemptions and concessions will be available to Aboriginal students, students with disability and welfare beneficiaries
- approved providers will be paid an extra loading to cover the additional costs of training disadvantaged students
- students doing higher-level qualifications will contribute more than students doing lower-level qualifications
- students doing a subsequent post-school qualification will make a higher contribution than those doing a first post-school qualification
- income-contingent loans would be available for Diploma and Advanced Diploma qualifications.<sup>23</sup>

<sup>21</sup> Australian Government, Study Assist, *FEE-HELP information for 2014*, <http://studyassist.gov.au/sites/studyassist/HelpfulResources/Documents/2014%20FEE-HELP%20booklet.pdf>.

<sup>22</sup> Independent Pricing and Regulatory Tribunal, *Final Report: Pricing VET under Smart and Skilled*, October 2013, p 4.

<sup>23</sup> Independent Pricing and Regulatory Tribunal, *Final Report: Pricing VET under Smart and Skilled*, October 2013, p 167.

**2.35** Following the receipt of IPART's advice, which took into account these policy principles, the following fee exemptions and concessions were introduced for students who are eligible under Smart and Skilled:

- Aboriginal or Torres Strait Islander students are exempt from paying fees
- students with a disability are exempt from paying fees for their first Smart and Skilled qualification in 2015, with a concession fee applicable for further enrolments
- students in receipt of Australian Government welfare payments qualify to pay a concession fee.<sup>24</sup>

**2.36** Another key policy principle implemented in the Smart and Skilled pricing and fee structure is that prices and fees are the same regardless of whether the provider is TAFE NSW or a private training provider. Further discussion of the Smart and Skilled pricing and fee structure is contained in chapter 3.

### **Smart and Skilled contracts**

**2.37** In order to be awarded a contract to provide subsidised Smart and Skilled training, New South Wales-based registered training organisations went through a competitive tender process. Providers had to be accredited by the Australian Skills Quality Authority to be eligible to tender for a Smart and Skilled contract.

**2.38** Under the Smart and Skilled contracts, providers are subject to financial caps set by the NSW Government. The financial cap is effectively a limit on the level of funding committed by the government for the provider to deliver specified qualifications. Because students can choose which approved provider they want to deliver their qualification, the funding model means providers will end up delivering some, or all of the qualifications they are approved for, depending on student demand, up to the financial cap.<sup>25</sup>

**2.39** Providers are also subject to a regional cap, that is, a restriction on the geographic areas in which they may deliver the subsidised qualifications under the contract.

**2.40** The aim of the financial and regional caps is to ensure that providers:

... are able to respond to regional demand within defined funding caps that support the Government's objectives of budget management while giving providers the opportunity to respond to local demand.<sup>26</sup>

### **Quality and performance monitoring and regulation**

**2.41** The quality and performance of training providers is monitored and regulated both at the federal and state level.

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<sup>24</sup> Department of Industry, State Training Services, *Smart and Skilled training for disadvantaged students*, <https://smartandskilled.nsw.gov.au/for-students/students-with-additional-needs>.

<sup>25</sup> Answers to supplementary questions, Mr Collins, 22 October 2015, p 1.

<sup>26</sup> Evidence, Mr David Collins, Executive Director, Market Quality and Operations, NSW Department of Industry, 22 September 2015, p 2.

- 2.42** At the federal level, the national regulator, the Australian Skills Quality Authority, has ultimate responsibility for monitoring and regulating the quality of training delivered by the 2,000 registered training organisations operating in New South Wales.<sup>27</sup> This is discussed in more detail in chapter 8.
- 2.43** At the state level, providers agree to meet certain performance criteria when signing up to their Smart and Skilled contracts with State Training Services. These criteria are based on a Quality Framework, which sets out nine key principles promoting excellence, transparency and innovation in vocational education and training.<sup>28</sup>

### **The shift to a contestable training market**

- 2.44** As noted above, Smart and Skilled implements the shift to a contestable training market, where students eligible for subsidised entitlement training can choose to use their subsidy to study at any approved registered training organisation, public or private. This represents a significant move away from the previous position where government-funded vocational education and training was delivered primarily through TAFE.
- 2.45** This inquiry heard a range of different perspectives on the shift to a contestable training market. This evidence is outlined below.

#### **Benefits of a contestable market**

- 2.46** The Australian Council for Private Education and Training strongly argued that a contestable market leads to better quality training outcomes and ultimately benefits the economy. In its submission to the inquiry, the council stated that:

Contestable training markets can greatly expand the capacity for industry, students, apprentices and trainees and job seekers to receive training that best suits their needs and aspirations. ... Without this contestability there would essentially be 12 TAFE Institutes only to deliver skills to students across the state. Greater contestability has significantly enhanced flexible delivery approaches that have boosted the ability of students to exercise real choice, drive innovation and get the training that best meets their employment and skill development needs.<sup>29</sup>

- 2.47** In terms of flow-on benefits to the economy, Mr Peter McDonald, Executive Officer New South Wales and Australian Capital Territory, Australian Council for Private Education and Training, gave evidence that:

A contestable market is good all round for the economy. If students are opting for either TAFE or for a private provider, that then forces the other provider to lift its game in order to attract its students to stay in the game. It becomes cyclical and then drives quality education and a good economy.<sup>30</sup>

<sup>27</sup> Evidence, Mr Collins, 22 September 2015, p 2.

<sup>28</sup> NSW Government, *Smart and Skilled: NSW Quality Framework*, December 2013, p 3.

<sup>29</sup> Submission 243, Australian Council for Private Education and Training, p 9.

<sup>30</sup> Evidence, Mr Peter McDonald, Executive Officer, New South Wales and Australian Capital Territory, Australian Council for Private Education and Training, 22 September 2015, p 60.

- 2.48** The Australian Council for Private Education and Training also made the point that, as evidenced in the secondary school sector, competition can be good for public providers as well as quality private providers, with both having an important role to play.<sup>31</sup> This view was shared by the Housing Industry Association, who cautioned against looking at the contestable market from a ‘TAFE versus private providers’ perspective, and noted that there can be cooperation between the two:

The continual rhetoric and polarisation of the debate in New South Wales of TAFE versus private registration organisations [RTOs] needs to be challenged, in our view. TAFE and privately funded RTOs, in particular industry-focused RTOs like HIA, already work collaboratively and collectively to deliver outcomes that are practical for students and the industry, and that means working collaboratively with TAFE. Flexibility and delivery are key here, and both TAFE and private RTOs have an important role to play.<sup>32</sup>

- 2.49** Similarly, Ms Karen Kearns, Chief Executive Officer and Director of Studies, International Child Care College, a private training provider, expressed to the committee her view that:

There is a place for a publicly well-funded TAFE system in New South Wales. There is absolutely no doubt in my mind about that, but there is also a place for good quality private RTOs, just as there are private and public schools. We would not be able to educate our children if we did not have a private sector. We cannot educate our adults unless we have a private and public sector that meet high standards. I think we need to move on from them versus us.<sup>33</sup>

- 2.50** In addition, Community Colleges Australia highlighted the fact that community providers represent an important part of the vocational education and training sector that is distinct from both TAFE and private providers, namely:

... Not for profit providers who are based within specific communities, be they geographical communities, communities based on need, such as NFP disability RTO’s, or sometimes communities based on industry expertise such as Film and media RTO’s. The critical difference between Community based RTO’s and private RTO’s is that Community based RTO’s are not for profit, and their primary purpose is to contribute value to their communities rather than to obtain a profit.<sup>34</sup>

### **TAFE’s position in a contestable market**

- 2.51** A number of stakeholders expressed concern about the fact that Smart and Skilled has opened up part of the vocational education and training market to private providers, where private providers compete with TAFE NSW for a proportion of government funding to deliver Certificate I to III qualifications.

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<sup>31</sup> Evidence, Mr Rod Camm, Chief Executive Officer, Australian Council for Private Education and Training, 22 September 2015, pp 53, 59.

<sup>32</sup> Evidence, Mr David Bare, Executive Director NSW, Housing Industry Association, 22 September 2015, p 77.

<sup>33</sup> Evidence, Ms Karen Kearns, Chief Executive Officer and Director of Studies, International Child Care College, 18 September 2015, p 33.

<sup>34</sup> Submission 275, Community Colleges Australia, p 4.

**2.52** One key argument to emerge from this evidence is that TAFE and private providers do not compete on a level playing field because unlike private providers, TAFE ‘does not have the option of targeting only profitable areas of delivery or profitable student types’.<sup>35</sup>

**2.53** For example, the Mountains Community Resource Network asserted that private providers tend to offer courses that cost less to deliver in order to maximise profits, whereas TAFE is obliged to meet broader industry and community needs:

[T]he majority of RTOs tend to ‘cherry-pick’ their course offerings. They are more likely to offer courses which have low input/infrastructure costs (and thus relatively higher profits). TAFE has obligations to serve the needs of their local industry and community (quadruple bottom line), not just focus on the financial/income line.<sup>36</sup>

**2.54** Similarly, it was argued that some private providers pre-screen students so that only those most likely to succeed and complete courses are enrolled, leaving more challenging students for TAFE to teach. The committee heard an example of this from the Chief Executive Officer of a private training provider in Newcastle, who stated that his practice was to personally interview every student applicant, so as to ensure that only students capable and committed enough to successfully complete the course are enrolled.<sup>37</sup>

**2.55** From the TAFE perspective, Ms Kerrin McCormack, a recently retired TAFE Counsellor, explained that TAFE conducts pre-screening programs to assess the literacy and numeracy skills of prospective students. However, she emphasised that those students who do not pass the pre-screening are not turned away but redirected to other TAFE courses or supports that will assist them to progress down their desired learning pathway.<sup>38</sup>

**2.56** More generally, the Aboriginal Education Consultative Group expressed the view that a fully contestable market is inconsistent with TAFE’s continuing provision of essential – but uncommercial – services and supports to Aboriginal students:

[A] fully contestable ‘open’ training market is not desirable. Nor is it efficient or effective. It is our experience that TAFE NSW provides support for Aboriginal people that is not provided by other training organisations. The implication for TAFE NSW of the provision of this essential support is that TAFE NSW is more expensive to run. In other words, TAFE NSW costs more because it does more; and the community expects this of TAFE NSW.<sup>39</sup>

**2.57** Going a step further, the TAFE Community Alliance expressed opposition to any level of contestability in vocational education and training, arguing that no public funding should go to private providers. Their submission stated:

The Alliance does not support public funding/government funding being used to either create or prop up a competitive training market. Private providers of VET operate and are motivated for profit, and consequently it is inappropriate for their

<sup>35</sup> Submission 147, Australian Education Union New South Wales Teachers Federation Branch, p 9.

<sup>36</sup> Submission 137, Mountains Community Resource Network, p 6.

<sup>37</sup> Evidence, Mr Duncan Passmore, Chief Executive Officer, Passmores College, 18 September 2015, p 31.

<sup>38</sup> Evidence, Ms Kerrin McCormack, Private individual, 23 September 2015, p 66.

<sup>39</sup> Submission 236, Aboriginal Education Consultative Group, p 16.

business to be supported by government funding. If there is a market, then they must operate in such a way to make their business viable in the market, not by depending upon government funding which should be allocated only to the public provider, TAFE.<sup>40</sup>

### **Level of contestability**

**2.58** According to the NSW Auditor-General, in 2014–15 about 19 per cent of the state’s total vocational education and training budget of \$2.3 billion was contestable.<sup>41</sup>

**2.59** The Australian Council for Private Education and Training advised that:

- New South Wales has the lowest proportion of contestable vocational education funding of any state and territory<sup>42</sup>
- private providers receive the lowest proportion of government vocational education funding of any state or territory.<sup>43</sup>

**2.60** However, several inquiry participants expressed concern that the level of contestable funding will inevitably and quickly increase under Smart and Skilled, as it has done in other states. For example, the New South Wales Teachers Federation stated:

An analysis of the South Australian experience indicates that the situation can change rapidly. In less than a year, contestable funding in South Australia grew from 26% to 74%. .... NSW, since the introduction of Smart and Skilled, is on a similar trajectory to other states and territories. Unless the policy settings change, NSW is in danger of moving to full market contestability.<sup>44</sup>

**2.61** The New South Wales Teachers Federation recommended that the NSW Government put a cap on contestable funding of no more than 30 per cent of the total recurrent vocational education and training budget.<sup>45</sup>

**2.62** In contrast to concerns that there is too much contestability, the committee also heard criticisms of the fact that only a limited number of approved providers are given funding to deliver training under Smart and Skilled. Several stakeholders argued that all nationally accredited providers should be able to access government subsidies, not only those successful in securing Smart and Skilled contracts from the state government. For example,<sup>46</sup> the Housing Industry Association expressed the view that:

... if an a nationally accredited RTO has a course on their scope that the state government has allocated funding for, there should be no reason a student can’t go to

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<sup>40</sup> Submission 185, TAFE Community Alliance, p 20.

<sup>41</sup> New South Wales Auditor-General’s Report, *Performance Audit: Vocational Education and Training Reform*, 29 January 2015, p 17.

<sup>42</sup> Submission 243, Australian Council for Private Education and Training, p 9.

<sup>43</sup> Submission 243, Australian Council for Private Education and Training, p 7.

<sup>44</sup> Submission 147, Australian Education Union New South Wales Teachers Federation Branch, p 7.

<sup>45</sup> Submission 147, Australian Education Union New South Wales Teachers Federation Branch, p 9.

<sup>46</sup> See also Evidence, Ms Tania Tsiamis, General Manager, IRT College, 12 October 2015, p 19.

this RTO and have access to this funding regardless of whether the RTO is “approved” or “not approved” by the state government. There should not be such an approval process.

The current government interpretation of ‘contestability’, where funding is provided to certain RTOs (namely publically funded RTOs) for students undertaking certain types of courses, does not provide a level playing field and perpetuates the issues of quality, value for money and delivery flexibility.<sup>47</sup>

- 2.63** The Housing Industry Association also argued that the model limits student choice, because those providers not in receipt of Smart and Skilled funding have to charge more for their courses than those with the funding.<sup>48</sup>

### **The government’s response to concerns about the contestable market**

- 2.64** Smart and Skilled incorporates the idea of contestability in a constrained way, by restricting:
- the types of qualifications that are contestable, as described below
  - which providers may obtain Smart and Skilled subsidies – that is, only a certain number of providers are approved to deliver subsidised entitlement qualifications
  - the total public subsidy a provider can receive (the ‘cap’).
- 2.65** As already adverted to, under Smart and Skilled only qualifications under the entitlement program are ‘demand-driven’. This means that for Certificate I, II and III courses, the subsidy will follow the student to their choice of approved training provider, creating a so-called ‘contestable’ market – where all approved providers compete against each other to attract students.<sup>49</sup> The exception to this is Foundation Skills qualifications, which can only be provided by TAFE NSW and approved Adult Community Education providers.<sup>50</sup>
- 2.66** In contrast, funding for full Targeted Priorities qualifications is given directly to TAFE NSW. This means that TAFE does not have to compete with other providers for public funding to deliver subsidised Certificate IV, Diploma and Advanced Diploma qualifications. A separate amount of funding for these qualifications is contestable between approved private and community providers. In addition, part qualifications are contestable between all approved providers, including TAFE NSW institutes.<sup>51</sup>
- 2.67** According to State Training Services, the decision to limit contestability only to entitlement qualifications (Certificates I, II and III) and only for a certain number of approved providers reflects a gradual approach drawing on lessons learnt from the experiences of other states. Mr David Collins, who effectively heads State Training Services in his position as Executive Director, Market Quality and Operations, NSW Department of Industry, told the committee that:

<sup>47</sup> Submission 216, Housing Industry Association, p 4.

<sup>48</sup> Submission 216, Housing Industry Association, p 5.

<sup>49</sup> Answers to supplementary questions, Mr Collins, 22 October 2015, p 1.

<sup>50</sup> New South Wales Auditor-General’s Report, *Performance Audit: Vocational Education and Training Reform*, 29 January 2015, p 18.

<sup>51</sup> Answers to supplementary questions, Mr Collins, 22 October 2015, p 2.

NSW took a cautious approach to the introduction of a demand-driven entitlement in response to the experience of other jurisdictions, limiting it to qualifications up to and including Certificate III. Consideration will be given to expanding demand-driven entitlements to higher level qualifications as part of the review of the first year of Smart and Skilled.<sup>52</sup>

**2.68** Similarly, the Minister for Skills, the Hon John Barilaro MP, told the committee that the decision to limit the number of providers who receive Smart and Skilled entitlement subsidies was a response to the situation in Victoria. According to the Minister, that state gave government funding to all providers accredited by the Australian Skills Quality Authority and consequently saw ‘a race to the bottom ... with some dodgy providers offering a range of incentives and training in areas where there was no demand’.<sup>53</sup>

**2.69** In relation to TAFE’s position in a contestable market, Minister Barilaro stated that ‘[t]he policy direction of this Government is to make sure that TAFE is efficient, strong and able to compete in a very competitive marketplace’.<sup>54</sup> He emphasised that this is a gradual process, with the government implementing efficiencies now so that ‘in years to come [TAFE] not so reliant on Government subsidies, because we know that is not sustainable’.<sup>55</sup>

**2.70** The Minister also gave evidence that the level of contestability will be determined over time ‘as we continue to implement the efficiencies in TAFE that allow it to compete’,<sup>56</sup> and expressed confidence about TAFE’s ability to compete in the future:

I am confident that the reforms to TAFE and the support that the Government puts in place will make sure that TAFE is fit for the future and can compete in a contestable marketplace. It will be in a position to compete for the lion's share of funding in a competitive market that is changing every day.<sup>57</sup>

**2.71** The Minister is also on record as stating that he does not want to see a 100 per cent contestable vocational education and training market.<sup>58</sup>

## Committee comment

**2.72** It is evident that Smart and Skilled is an extraordinarily complex reform, involving many different policy settings designed to achieve various outcomes. These policy settings are examined in later chapters.

**2.73** What Smart and Skilled represents on a more fundamental level is a major step in implementing a contestable training market, where TAFE NSW competes with non-government providers to deliver government-subsidised vocational education and training.

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<sup>52</sup> Answers to supplementary questions, Mr Collins, 22 October 2015, p 2.

<sup>53</sup> Evidence, Mr Barilaro, 22 September 2015, p 38.

<sup>54</sup> Evidence, Mr Barilaro, 22 September 2015, p 28.

<sup>55</sup> Evidence, Mr Barilaro, 22 September 2015, p 34.

<sup>56</sup> Evidence, Mr Barilaro, 22 September 2015, p 27.

<sup>57</sup> Evidence, Mr Barilaro, 22 September 2015, p 27.

<sup>58</sup> John Ross, ‘Support wanes for open training markets’, *The Australian*, 22 April 2015.

- 2.74** It is important to recognise that the introduction of a contestable training market has come about as the result of the state's obligations under the National Partnership Agreement on Skills Reform – and that New South Wales was the last state to implement these reforms. There are two things that flow from this.
- 2.75** First, New South Wales has had the benefit of drawing on the experiences of other states in designing Smart and Skilled. The committee notes that the decision to limit contestability only to certain qualifications and only to certain approved providers is a direct response to negative experiences in other jurisdictions. In other words, when it comes to implementing a contestable market, New South Wales is at a considerable advantage compared with other states.
- 2.76** The second important point to recognise is that, because the introduction of a contestable market is bound up in a bigger COAG funding agreement between the Australian Government and the governments of the other states and territories, it is not feasible – even if it were desirable – to go back to a situation where TAFE NSW has a monopoly on government-funded vocational education and training.
- 2.77** On the whole, the committee is persuaded that a contestable training market will benefit all sectors of the vocational education and training sector over time, driving up quality and efficiency, and ultimately benefiting students, industry and the economy. The committee does not believe that the skills needs of this state would be best served by having only TAFE delivering government-funded vocational training.
- 2.78** Nevertheless, it is understandable that many stakeholders are concerned about TAFE's position in a contestable training market, and its ability to compete on a level playing field with private providers. TAFE has a long history of responding to change, and this is clearly a time of big adjustments to TAFE's operating environment. Some of these adjustments are explored further in chapter 6.
- 2.79** The committee also considers that viewing the contestability debate through a 'TAFE versus private providers' lens is unhelpful and misleading. Just like the school system, public, private and community providers all have an important role to play, and together they make the system stronger.
- 2.80** The committee is not of the view that the government should place a ceiling on the overall level of funding that is contestable. The committee agrees that the level of contestability should be determined gradually over time, as TAFE becomes a seasoned competitor in the market.
- 2.81** However, when considering whether to increase the level of contestability, for example, by making more qualifications contestable, or by opening up number of providers who are eligible for government subsidies, the committee urges the NSW Government to exercise caution and restraint to avoid the mistakes of other jurisdictions.



## Chapter 3 Problems with the design and implementation of Smart and Skilled

The previous chapter described the policy features of Smart and Skilled as originally designed and introduced on 1 January 2015. Drawing on that background, this chapter examines some of the problems that have since been identified with the design and implementation of Smart and Skilled, as well as recently announced policy changes intended to address some of these problems.

The chapter first discusses issues experienced by students, and concludes by examining problems with the design of the Smart and Skilled funding model experienced by training providers.

### Subsidised training for those with a higher prior qualification

**3.1** A key feature of Smart and Skilled, as introduced on 1 January 2015, was that potential students who had previously completed a Certificate IV or higher-level qualification were not eligible to enrol in a subsidised entitlement course up to Certificate III.<sup>59</sup> In other words, people with an existing Certificate IV or higher-level qualification had to pay full fees if they want to enrol in a lower-level course, ‘regardless of the field the qualification is in, how long ago the course was completed or even the country it was completed in’.<sup>60</sup>

#### Eligibility bar

**3.2** The committee heard extensive evidence that this eligibility rule acts as a significant barrier for many people to participate in vocational education and training. Ms Kerrin McCormack, a recently retired TAFE counsellor, explained there were many circumstances that might lead someone with an existing qualification to want to re-train at an entry or lower level: being made redundant, being injured at work, needing retraining or upskilling because of changes in technology, or wanting a career change.<sup>61</sup> She described the requirement that such people pay full fees for lower-level courses as acting like a ‘penalty’ for re-training:

... with Smart and Skilled it is virtually like you get one bite of the cherry and if you are moving up through the different certificate or diploma levels, then there is an okay progression there. But if you have actually completed a qualification ... you can find that you are actually penalised.<sup>62</sup>

**3.3** Mature age students were particularly affected by this eligibility rule. Ms Liz Henigan, Head Teacher, Community Services, Human Services, Tourism and Hospitality at the TAFE NSW Nowra campus, gave compelling evidence about how this eligibility rule has impacted on a student in one of her courses. This case study is set out below, and shows the impact on mature age workers seeking to re-train in a new industry.

<sup>59</sup> Department of Industry, State Training Services, *Questions about your eligibility for Smart and Skilled training*, <https://smartandskilled.nsw.gov.au/are-you-eligible/frequently-asked-questions>.

<sup>60</sup> Submission 152, Ms Robyn Urquhart, p 3.

<sup>61</sup> Evidence, Ms Kerrin McCormack, private individual, 23 September 2015, p 61.

<sup>62</sup> Evidence, Ms McCormack, 23 September 2015, p 60.

**Case study: “S”**

I have a student who I will refer to as S. She would like you to know her situation. She actually did aged care last year. ... She is a little bit mature like me. In a previous life she had done a diploma of financial services. Her life changed. She is a single mum bringing up one child. Her marriage broke down. She did her aged care certificate last year. She is a great student. She is working in aged care. She is also working in people's homes where the people she is caring for have disabilities as well as a lot of years, so she wanted to up her skills. She wanted to add to her aged care certificate a Certificate III in Disability.

You would not think that was so hard, would you? She is unable to access, because of her financial services qualification, a Smart and Skilled place ... Last week—not last June when she started, when she turned up here ready to hand over her money in June—she finalised her enrolment for \$2,000 something. This is a woman whose base rate of pay is \$19 an hour. I cannot imagine how hard it was for her to save that money. That is how committed people are to their own training.<sup>63</sup>

**3.4** Another group disproportionately affected by this eligibility rule was migrants. Several stakeholders pointed out the ‘catch-22’ situation in which some migrants found themselves, whereby they cannot gain recognition for their overseas qualification in Australia, and yet that same qualification prevented them from accessing subsidies by which they could re-train in their own field or in another field.<sup>64</sup>

**3.5** An example of this is in the areas of child care and aged care, where there are skills shortages. The submission from the TAFE Community Alliance explained how these difficulties manifested themselves in practice:

Many migrant women work in child care and aged care—not necessarily because these fields are consistent with their skills, previous education and work, but because these are areas in which they have been able to access training and employment in NSW. The Aged Care Certificate III or equivalent is required for employment in aged care, and the Early Childhood Education and Care Certificate III is required to work in childcare. If people new to Australia have a Certificate IV or higher (which many do), they cannot access government subsidies for these qualifications, and in many cases they cannot afford to pay the full fees for these courses. They can access government subsidised training for Certificate IV and above, but in the case of aged care they cannot complete the Certificate IV in Aged care without first completing the Certificate III. The only related higher qualification in the field of Childcare is a Diploma, which trains you to be a Childcare teacher or centre coordinator. People new to Australia hoping to enter the childcare industry often do not have the time to complete a Diploma, or do not necessarily have the English language skills or aptitude to work in the more senior childcare roles.<sup>65</sup>

<sup>63</sup> Evidence, Ms Liz Henigan, Head Teacher, Community Services, Human Services, Tourism and Hospitality, TAFE NSW Illawarra Institute, 12 October 2015, p 10.

<sup>64</sup> Submission 195, Marrickville Multicultural Interagency, p 3; Submission 198, NSW Migrant Resource Centre Forum, p 3; Submission 217, Joint submission: Fairfield Multicultural Interagency and Fairfield Emerging Communities Action Partnership, p 6.

<sup>65</sup> Submission 185, TAFE Community Alliance, p 13.

### Changes to eligibility criteria

- 3.6** In his evidence to the committee in September 2015, the Hon John Barilaro MP, Minister for Skills, explained that since the introduction of Smart and Skilled on 1 January 2015, some of the original policy settings had been changed in response to feedback from industry, private providers and TAFE NSW:

I think when you embark on a new program under Smart and Skilled and you have a range of policy settings in place ... we have got to recognise that sometimes settings are not right and therefore that is why we have made those adjustments. If you look at what we have done since I became the Minister in March-April of this year, I have had the opportunity to have a look at the data that is coming in, engaging with private providers, engaging with TAFE, engaging with industry and also taking into account some of the trends nationally in the decline in a number of enrolments in a number of areas. We have had to make some changes. That is what those announcements are made in the past month were about—addressing what were maybe playing to the impediments for enrolment.<sup>66</sup>

- 3.7** One key change to Smart and Skilled, announced on 16 September 2015, is an adjustment to the eligibility criteria from 1 January 2016, allowing ‘people with an existing qualification of Certificate IV and above to access subsidised training’. According to the Minister, this change ‘will benefit workers who need to retrain, people whose first qualifications were gained in another country, and stay-at-home parents who wish to re-enter the workforce’.<sup>67</sup>
- 3.8** This change now means that all eligible individuals will have access to entitlement training, i.e. subsidised training up to Certificate III in 2016, regardless of the level of any previous qualifications held. It is also the case that students with a Certificate IV qualification will be eligible for Smart and Skilled subsidy for a second or subsequent Certificate IV qualification.<sup>68</sup>
- 3.9** In explaining the rationale for removing the pre-qualification barrier, Minister Barilaro told the committee:

We recognise that for about 35,000 students in this State, by not being able to access subsidised training because of a previous or prior qualification which excluded them, it did impact on enrolments when you looked at previously a portion of enrolments, each and every one of those that are reskilling, and when you take into account some sectors of the economy that are in decline. There is an obligation to make sure that we are subsidising the training in an area of reskilling.<sup>69</sup>

### Prices of qualifications and student fees

- 3.10** Under Smart and Skilled, the ‘base’ price of a qualification paid to training providers is made up of two components:
- a contribution by the government in the form of a fixed subsidy

<sup>66</sup> Evidence, Hon John Barilaro MP, Minister for Skills, 22 September 2015, pp 28-29.

<sup>67</sup> Answers to questions on notice, Hon John Barilaro MP, Minister for Skills, 21 October 2015, p 2.

<sup>68</sup> Answers to supplementary questions, Mr David Collins, Executive Director, Market Quality and Operations, NSW Department of Industry, 22 October 2015, p 9.

<sup>69</sup> Evidence, Mr Barilaro, 22 September 2015, p 29.

- a contribution by the student in the form of a student fee.

**3.11** Those students not eligible for Smart and Skilled funding, or students wishing to study qualifications not on the NSW Skills List, are liable to pay the two components comprising the full price of the qualification (or, if applicable, obtain a VET FEE-HELP loan).

**3.12** As noted in the previous chapter, prices and student fee arrangements are based on a methodology recommended by IPART. Under the arrangements, both prices and student fees are regulated by the NSW Government. IPART informed the committee that its methodology ‘aims to replicate price outcomes that would be achieved in a fully competitive market’, by setting qualification prices that ‘reflect the efficient costs of providing the training to the required quality standard to a standard student’.<sup>70</sup>

**3.13** Mr David Collins, Executive Director, Market Quality and Operations at the NSW Department of Industry, explained that prices and student fees are the same regardless of the whether the provider is TAFE NSW or a private provider, so as ‘to ensure that providers compete on quality rather than on price’.<sup>71</sup>

### Qualification prices

**3.14** Under IPART’s methodology, qualification prices are calculated to reflect the efficient costs of providing training that meets the required quality standard to a standard student. It is not clear which ‘required quality standard’ IPART is referring to. Furthermore, the committee did not hear evidence about whether the ‘efficient price mechanism’ is suitable for estimating the cost of delivering non-procedural services like vocational education. These costs include:

- teacher costs
- course-specific costs, such as equipment and teaching supplies
- recurrent costs, such as administrative staff and utilities
- capital costs, captured through a margin on operating costs.<sup>72</sup>

**3.15** IPART’s methodology captured these costs in a set of variable (\$/nominal hour) and fixed (\$/enrolment) cost components, as explained by Mr Collins:

Based on the IPART methodology, the base prices for qualifications reflect the efficient cost to deliver quality training to the standard student. The base price has two components:

- Fixed cost (which does not change with training delivery): takes account of duration of training and qualification level; estimates intensity of use of VET services.
- Variable cost (which changes with the amount of training delivery): cost per hour for each unit of competency in a standard pathway for a qualification; and is based on nationally recognised hours, pathways and fields of education.<sup>73</sup>

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<sup>70</sup> Correspondence from Mr Hugo Harmstorf, Chief Executive Officer, Independent Pricing and Regulatory Tribunal, to Chair, 16 November 2015, p 2.

<sup>71</sup> Answers to supplementary questions, Mr Collins, 22 October 2015, p 2.

<sup>72</sup> Correspondence from Mr Harmstorf to Chair, 16 November 2015, p 2.

- 3.16** IPART informed the committee that the variable cost took into account differences driven by the industry with which the training is associated, such as the need for specific high-cost equipment or consumables, or lower student to teacher ratios to meet safety requirements. This was done by creating ‘high cost units of competency’ in respect of certain industry groups, for which a premium of between 10 to 200 per cent was added on top of the variable cost for a ‘standard unit of competency’ in the same industry group.<sup>74</sup>
- 3.17** In order to create the ‘base’ price for each individual qualification, IPART’s recommended the government apply the relevant variable cost levels to the combination of units of competency that make up the qualification, and then add the fixed cost level that corresponds with level of the qualification. IPART stated that:

Initially, the combination of UoCs [units of competency] that make up the qualification would be based on the ‘typical combination’ determined by the Government. Over time, the Government should collect information on the actual combinations of UoCs offered by RTOs, and consider whether base prices should be adjusted to reflect the differences between these and the typical combinations.<sup>75</sup>

### ***Concerns about qualification prices***

- 3.18** The committee heard from several stakeholders who believe that the methodology developed by IPART has resulted in some qualifications being priced too low to cover the costs of delivering the course. Ms Marie Larkings, Associate Director and General Manager, Teaching and Learning at TAFE NSW Hunter Institute, observed that, ‘in some of our more high-cost delivery areas it has been a challenge to be able to deliver the quality of training required for our industry’.<sup>76</sup>
- 3.19** In terms of specific examples of inadequate course pricing, the Managing Director of TAFE NSW, Ms Pam Christie, told the committee that ‘we did not believe that the pricing for plumbing had taken fully into account the cost of delivering that qualification’.<sup>77</sup> The committee also heard from the Head Teacher, Horticulture at the TAFE NSW North Coast Institute, Mr Greg Holihan, about how the pricing of the arboriculture course had not been enough to cover such a high-risk and therefore high-cost course:

I believe the Independent Pricing and Regulatory Tribunal [IPART] got the pricing of that course horribly wrong. It is fairly simple to explain why. Because arboriculture is such a high-risk industry—and I do not know if everyone understands what an arborist does; but if I have a young person up a tree attached by a rope and using a chainsaw then obviously that is high risk—we generally work on an eight to one student-teacher ratio for arboriculture.

When the funding comes with a student then obviously the more students you have the more you can cover your costs. Unfortunately, the problem is that when I am working on an eight to one student-teacher ratio and I am getting less funding for an

<sup>73</sup> Answers to supplementary questions, Mr Collins, 22 October 2015, p 3.

<sup>74</sup> Correspondence from Mr Harmstorf to Chair, 16 November 2015, p 3.

<sup>75</sup> Correspondence from Mr Harmstorf to Chair, 16 November 2015, p 3.

<sup>76</sup> Evidence, Ms Marie Larkings, Associate Director and General Manager, Teaching and Learning, TAFE NSW Hunter Institute, 18 September 2015, p 19.

<sup>77</sup> Evidence, Ms Pam Christie, Managing Director, TAFE NSW, 22 September 2015, p 22.

arborist than I would, say, for a certificate III horticulturalist then I cannot cover my costs. Historically we have run deficits. We were very successful in training people. In fact in 2013 we probably had about 120 students enrolled. But the more students we enrolled the more we went into debt.<sup>78</sup>

**3.20** On the other hand, the committee also heard that some qualifications, for example the heavy vehicle, agricultural and mobile equipment stream, had been priced ‘extremely’ well.<sup>79</sup> This comment suggests that the price may in some cases have been set unnecessarily high.

**3.21** In response to these concerns, IPART told the committee that:

We are satisfied that our recommended cost components, and our recommended method for building up the base price for each course and qualification, produce base prices that are consistent with the prices sought by training providers in the 2011/12 Strategic Skills Program tender process. Comparing base prices to the prices sought through the tender process provides the best available ‘market testing’ of how well the prices reflect efficient costs.

Based on the information available to us – including the UoCs that TAFE considered high cost, the Strategic Skills Program tender data, and comments and information provided by stakeholders in response to our draft report – we identified more than 900 high cost UoCs.

... We note that we identified up to 15 high cost UoCs in the plumbing industry group where these costs were associated with consumables and higher supervision requirements.

**3.22** Evidence was not presented to the committee which explains why IPART relied on prices applicable in 2011-12 to recommend prices for 2014-15.

**3.23** IPART also noted its recommendation to the government that the first major review to reset base prices and student fees should be undertaken in time for the price change on 1 January 2017.<sup>80</sup>

### **Student fees**

**3.24** Student fees now vary according to a range of factors, including:

- level of qualification – lower fees for lower level qualifications and higher fees for higher level qualifications
- the industry the qualification is in – recognising that costs vary across different industries
- whether the qualification is a student’s first post-school qualification – in which case fees are lower

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<sup>78</sup> Evidence, Mr Greg Holihan, Head Teacher, Horticulture, TAFE NSW North Coast Institute, 11 September 2015, p 9.

<sup>79</sup> Evidence, Mr Gavin Manning, National Apprentice Development Systems Manager, Komatsu Australia, 18 September 2015, p 7.

<sup>80</sup> Correspondence from Mr Harmstorf to Chair, 16 November 2015, p 7.

- whether the qualification is an apprenticeship – in which case student fees are capped at \$2,000.<sup>81</sup>

**3.25** As noted in chapter 2, student fees in 2015 were lower than those recommended by IPART, pursuant to advice from the NSW Skills Board.<sup>82</sup>

**3.26** The government's contention is that qualifications under Smart and Skilled are 'heavily subsidised'.<sup>83</sup> Students contribute between 10 and 45 per cent of the cost of a qualification, as illustrated in the following table.

**Table 2 Average fee contribution for a standard student as a fraction of the qualification price**

Qualification level	Student fee 2015
Foundation	10%
Certificate II-III	25 to 30%
Certificate IV	30 to 35%
Diploma / Advanced Diploma	40 to 45%

*Source: Presentation entitled 'Smart and Skilled' by Mr David Collins, Executive Director, Market Quality and Operations, NSW Department of Industry, dated 10 September 2015, p 6.*

### **Concerns about student fees**

**3.27** A large number of stakeholders remarked that student fees for some courses had dramatically increased under Smart and Skilled. For example, the Australian Council for Private Education and Training acknowledged that Smart and Skilled had seen 'large increases in student contributions for some programs'.<sup>84</sup> Unions NSW gave evidence that:

The Smart and Skilled pricing and entitlement model saw a significant proportion of the cost of training shifted from the government onto students, with fee increases in the majority of courses.

Student fees for vocational education will increase between 33 and 70 per cent for most courses. A one-year Certificate III traineeship in agriculture has risen from \$838 to \$2170, while fine art courses experienced a ten-fold increase in fees from \$1,500 to \$15,000.

Submissions received by Unions NSW overwhelmingly reported increased fees as being a barrier for students either completing or starting a vocational education qualification. Unions NSW is concerned this will have flow on effects on skill shortages, earning capacity of workers, youth unemployment and social cohesion.<sup>85</sup>

<sup>81</sup> Answers to supplementary questions, Mr Collins, 22 October 2015, p 2.

<sup>82</sup> Evidence, Mr Philip Clark AM, Chair, NSW Skills Board, 9 November 2015, p 2.

<sup>83</sup> Answers to supplementary questions, Mr Collins, 22 October 2015, p 2.

<sup>84</sup> Submission 243, Australian Council for Private Education and Training, p 12.

<sup>85</sup> Submission 231, Unions NSW, p 7.

- 3.28** Of the 214 individual submissions received by Unions NSW and provided to the committee, 127 identified increased student fees as a reason why fewer students are enrolling in TAFE.<sup>86</sup>
- 3.29** By way of example, a witness from the TAFE NSW Hunter Institute stated that:
- the student fee for a Certificate IV – Networking qualification has increased from \$590 in 2014 to \$1,960 or \$2,290 or \$7,310 in 2015
  - the student fee for a Certificate II – Information Technology qualification has increased from \$267 in 2014 to \$870 or \$1,040 or \$3,930 in 2015.<sup>87</sup>
- 3.30** The variation in the 2015 fee is based on whether the student is eligible for Smart and Skilled funding, and whether the qualification is a student’s first qualification or a second or subsequent qualification. If the student is not eligible under Smart and Skilled, they pay the maximum student fee, namely the full qualification price.
- 3.31** The committee heard no evidence from any NSW Government agency on whether the price elasticity of demand of different qualification prices was ever modelled.

### *Changes to student fees*

- 3.32** Since 1 January 2015, the NSW Government has announced two changes to the Smart and Skilled policy settings which impact on student fees. The first, announced as part of an initiative known as ‘Reskilling NSW’, is an additional \$48 million to fund 200,000 fee-free scholarships for disadvantaged young people to access training under Smart and Skilled. The Minister told the committee:

On 1 July 2015, the NSW Government introduced Fee-Free Scholarships for concession eligible 15-30 years olds to undertake subsidised training. Priority is given to people in social housing or on the waiting list for social housing. The Government committed \$48 million, over four years, for 200,000 scholarships.

- 3.33** Students eligible for a fee-free scholarship are required to:
- meet the Smart and Skilled personal and program eligibility rules
  - be aged between 15 and 30 years old
  - study a Smart and Skilled subsidised Certificate I to Certificate IV level qualification on the NSW Skills List, including qualifications that support apprenticeships and traineeships
  - prove that they are either a Commonwealth welfare recipient or the dependant of a Commonwealth welfare recipient.
- 3.34** Students who meet the criteria and are living in, or on the waitlist for social housing, are guaranteed a scholarship to start training even if the yearly limit of 50,000 scholarships is reached.<sup>88</sup>

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<sup>86</sup> Submission 231, Unions NSW, Attachment 1.

<sup>87</sup> Prepared statement of Ms Terri Quinlan, Part-time Casual IT Teacher and TVET Coordinator, TAFE NSW Hunter Institute, referred to at public hearing on 18 September 2015, p 9.

- 3.35** Some inquiry participants were critical of the fee-free scholarships. The Public Service Association of NSW described the initiative as an attempt to ‘cover-up’ the impact of student fee increases for disadvantaged students, but predicted that the stringent eligibility criteria would likely prevent many students from taking up the scholarships. They also stated that the \$48 million would be inadequate to cover the fees of 200,000 students:

Reskilling NSW was introduced as an election policy this year to provide direct subsidisation to specific groups. Ostensibly around ensuring access for those most vulnerable within society, the program in fact is an attempt to cover up some of the more painful monetary increases included within Smart and Skilled. The signature policy provided 200,000 fee-free scholarships but places conditions on that scholarship such that it’s difficult to see it reaching its target numbers. This may be just as well as the \$48M put aside from existing funds for the program works out at a subsidy of just \$240 per participant – far less than what these courses actually cost individuals as a co-contribution.<sup>89</sup>

- 3.36** The second key student fee change is to cap the fees paid by students doing a traineeship, in much the same way that apprenticeship fees are capped. Announced on 16 September 2015, the Minister advised that the change means that:

Traineeship fees in 2016 will be capped at \$1,000 for the whole qualification to minimise the costs to students and employers. This means that over 85 per cent of traineeship qualifications on the NSW Skills List will be cheaper for students in 2016, with the average saving being \$1,128.<sup>90</sup>

- 3.37** Mr Collins told the committee that the capping of traineeship fees was in response to feedback from ‘employers and students about the cost of fees in that area’,<sup>91</sup> with the Minister noting that ‘the cost of delivery is less than an apprenticeship, and that is why we have halved that fee to \$1,000’.<sup>92</sup>

- 3.38** The prices and fees for 2016 were released on 4 November 2015, with the majority of fees remaining at 2015 levels.<sup>93</sup> The Chair of the NSW Skills Board, Mr Philip Clark AM, stated that keeping 2016 fees at 2015 levels was in line with the board’s recommendation to the government, but that this was ‘very much’ a transitional arrangement.<sup>94</sup>

- 3.39** The committee heard that the release date of the 2016 prices and fees has created difficulties for some TAFE institutes, who have been unable to enrol students or give them information about pricing with the new study year fast approaching. Similarly, the committee also heard about the challenges faced by institutes in ensuring that the announced changes to Smart and

<sup>88</sup> Department of Industry, State Training Services, *Fee-free scholarships*, <https://smartandskilled.nsw.gov.au/for-students/fee-free-scholarships>.

<sup>89</sup> Submission 218, Public Service Association of NSW, pp 20-21.

<sup>90</sup> Answers to questions on notice, Mr Barilaro, p 2.

<sup>91</sup> Evidence, Mr David Collins, Executive Director, Market Quality and Operations, NSW Department of Industry, 22 September 2015, p 12.

<sup>92</sup> Evidence, Mr Barilaro, 22 September 2015, p 29.

<sup>93</sup> Department of Industry, State Training Services, *Latest News*, <https://smartandskilled.nsw.gov.au/about/latest-news>.

<sup>94</sup> Evidence, Mr Clark, 9 November 2015, p 4.

Skilled are understood by students wishing to enrol in 2016. For example, during its site visit to TAFE NSW Dubbo campus, the committee met with the TAFE Western Executive Committee. While the committee welcomed the policy adjustments that have been announced since the commencement of Smart and Skilled, they also expressed the need for the government to clearly explain what the change means for students.

### Support for students with a disability

**3.40** The government acknowledges that vocational education and training plays a critical role in supporting people with a disability to pursue training opportunities that would otherwise not be available to them.<sup>95</sup>

**3.41** The committee heard powerful evidence from Mr Simon Mahoney, a former TAFE NSW student who is deaf and who now teaches Auslan at TAFE, about the extensive support he received in undertaking several qualifications, and how this has allowed him to contribute to society and his community. Mr Mahoney, who undertook his qualifications prior to the introduction of Smart and Skilled, told the committee:

... I really cannot believe the journey that I have been on and the opportunities that TAFE has given me. It has been a number one opportunity, a marvellous opportunity. The provision of interpreters and note-takers, the equity that has been provided to be able to access the services has been a massive support for me to receive the education that I have. ... I have been motivated to study at TAFE because of the encouragement, the provision of services, and, as I said, the blend and family-like environment—the community environment—that is provided. The adult education support that enables people to be educated for the future to earn incomes and to be able to contribute to our community and society by paying taxes is important.<sup>96</sup>

**3.42** TAFE NSW is the provider for 90 per cent of all people in post-secondary education with disabilities.<sup>97</sup>

**3.43** Smart and Skilled, as introduced on 1 January 2015, contained two policy settings designed to support disabled students to access training.

- Disability loading – training providers receive a 15 per cent loading on top of the price for the qualification to help meet the learning needs of students with a disability. These loadings are designed to contribute to the generally higher costs of training such students.
- Fee exemptions – in 2015, students with a disability were exempt from paying student fees for the first subsidised qualification they commence in a calendar year. A concession fee applies for any subsequent course the student commences in the same year, up to and including Certificate IV.<sup>98</sup>

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<sup>95</sup> Submission 199, National Disability Services, p 2.

<sup>96</sup> Evidence, Mr Simon Mahoney, Former student, TAFE NSW North Coast Institute, 11 September 2015, p 49.

<sup>97</sup> Evidence, Mr Mark Jewell, Disability Consultant, TAFE NSW North Coast Institute, p 9.

<sup>98</sup> Presentation entitled 'Smart and Skilled' by Mr David Collins, Executive Director, Market Quality and Operations, NSW Department of Industry, dated 10 September 2015, pp 7-8.

### **Disability loading**

- 3.44** In response to the committee's questions around how the 15 per cent disability loading was arrived at, IPART advised that:

To determine the loading percentage, we relied on the available evidence of systematic cost increases associated with students with a disability. In particular, we analysed:

- extensive cost information on the systematic differences in costs across the various TAFE Institutes (due to differences student characteristics).
- data from the tendering process for the Strategic Skills Program, particularly on the loading levels sought by RTOs for training different students.

We also considered the loading levels available under other programs or in other jurisdictions. We also considered stakeholder responses to the loading levels proposed in our draft report. In particular, a number of stakeholders expressed concern that these levels were not sufficient to meet all the additional costs associated with higher cost learners.

In response to submissions on our draft report, we decided on balance that the loadings for students who have a disability should be increased from 10% to 15%.<sup>99</sup>

### ***Concerns about the adequacy of the disability loading***

- 3.45** The committee heard from a number of inquiry participants involved in the disability sector who were extremely concerned that the 15 per cent loading is inadequate to cover the true costs of supporting students with a disability.

- 3.46** For example, National Disability Services, the peak body for non-government disability services, stated that it had received a number of reports of training providers 'providing no, or inadequate, supports to assist people with disability to undertake and complete their training', commenting that this may well result from 'the inadequacy of the loading to meet the actual cost of the supports required'.<sup>100</sup>

- 3.47** Similarly, Mr Mark Jewell, Disability Consultant at the TAFE NSW North Coast Institute, gave evidence that the 15 per cent loading 'comes nowhere close' to covering the costs of supporting students with a disability. By way of illustration, Mr Jewell stated that the average cost of supporting a student in his institute is around \$2,000, but that the 15 per cent loading on a \$2,000 course is only \$300. According to Mr Jewell, the North Coast Institute has been forced to rely on separate Community Service Obligation funding to cover the shortfall:

If it were not for the community service obligation enhancements that TAFE got along with the Smart and Skilled money I would not have a job. I would not be here presenting to you and we would not have any money to support students.<sup>101</sup>

- 3.48** The committee notes the evidence from Mr Jewell that more students are declaring a disability where they otherwise wouldn't have in order to claim a fee exemption:

<sup>99</sup> Correspondence from Mr Harmstorf to Chair, 16 November 2015, p 4.

<sup>100</sup> Submission 199, National Disability Services, p 4.

<sup>101</sup> Evidence, Mr Jewell, 11 September 2015, p 7.

I think, with the fee increases, and the changes in the way exemptions are given, that students formerly who may have enrolled and had an exemption for some other reason if they are no longer eligible will actually come and disclose their disability. So I think a lot of disability consultants are finding the reason the demand is going up is that a person has some record of having a disability – such as a back injury – which previously they may not have disclosed but now, because of the increase in fees, they disclose so they can get an exemption.<sup>102</sup>

- 3.49** Community Service Obligation funding is an extra funding stream made available to TAFE NSW to cover the additional costs of training disadvantaged students (including students with a disability) and students located in ‘thin markets’. This funding recognises that the qualification price and loadings do not cover the costs of delivering training to such students,<sup>103</sup> and is discussed further in chapter 6.
- 3.50** However, People with Disability Australia, a national disability rights, advocacy and representative peak organisation argued that using the Community Service Obligation funding stream to offset the disability loading is problematic. For example, Ms Therese Sands, Co-Chief Executive Officer, noted that the Community Service Obligation funding ‘is meant to cover a whole range of needs for disadvantaged people and it is not clear what the eligibility criteria is, how you would meet that, what funding is available from that pool’.<sup>104</sup> The submission also commented that the funding comes through in 12-month blocks, making it ‘difficult for Teacher Consultants who work with students with disability to plan and fund their complete pathway of study over the duration of their course’.<sup>105</sup>
- 3.51** The committee also heard evidence from People with Disability Australia that there is a lack of transparency and consistency in how the 15 per cent loading is allocated to students by training providers, with teachers and students:
- ... unaware of how much funding is available, what amount of funding has been allocated to whom and for which adjustments, and uncertainty [about] whether the full 15% loading has been quarantined to meet the needs of each individual student with disability or spent elsewhere.<sup>106</sup>
- 3.52** This uncertainty has apparently led some disabled students to drop out of courses early because funding is not provided for the duration of their course, or not enrol at all.<sup>107</sup>
- 3.53** Another concern expressed by stakeholders was that the 15 per cent loading is effectively ‘one size fits all’, and fails to provide the flexibility required in supporting students with varying disabilities and support needs.<sup>108</sup> For example, a deaf student requires both an Auslan interpreter and a note-taker for classroom teaching, and these support costs will be very

<sup>102</sup> Evidence, Mr Jewell, 11 September 2015, p 11.

<sup>103</sup> Submission 253, People with Disability Australia, p 5.

<sup>104</sup> Evidence, Ms Therese Sands, Co-Chief Executive Officer, People with Disability Australia, 23 September 2015, p 75.

<sup>105</sup> Submission 253, People with Disability Australia, p 5.

<sup>106</sup> Submission 253, People with Disability Australia, p 4.

<sup>107</sup> Evidence, Ms Ngila Bevan, Manager, Advocacy Projects and Communication, People with Disability Australia, 23 September 2015, p 72.

<sup>108</sup> Submission 253, People with Disability Australia, p 5.

different to the costs of supporting a student with a mild intellectual disability. As Mr Jewell put it, '[f]or some it might be very little and for other students it might be several thousand dollars'.<sup>109</sup>

**3.54** In response to some of these concerns, IPART explained that the 15 per cent loading is designed to reflect the typical or average level of additional costs associated with teaching students with a disability. In practice, this means a provider will 'over-recover the actual additional costs for some students, and under-recover these costs for other students'.<sup>110</sup> IPART acknowledged that the 15 per cent loading would not be adequate in all cases, but rejected the notion that loadings could be calibrated more specifically and pointed to the Community Service Obligation funding as a more appropriate mechanism to make up any shortfall:

In our view, setting loadings to more closely reflect the actual costs an RTO incurs in providing training to higher cost learners would be information intensive and administratively difficult, as it would require a graduated series of levels per loading type, and more complex arrangements for verifying eligibility, particularly for the higher levels of each loading. However, we acknowledge that in some limited situations the efficient costs of providing quality training to specific students may be higher than the loading.

For these higher cost students additional funding was to be provided via CSOs to TAFE and Adult and Community Education (ACE) for:

- providing training to students with a disability who have specific high cost needs (such as hearing-impaired students who need sign language interpreters)
- providing 'wrap around' support services, such as pre-training support, counselling, and career support services.<sup>111</sup>

**3.55** Ms Christie confirmed to the committee that the 15 percent 'is not designed to fully cost an individual's support; it is pooled for a group of students'. In response to claims that the 15 per cent is inadequate, Ms Christie advised that TAFE NSW is looking at this question and has yet to reach a concluded view.<sup>112</sup>

### Fee exemptions

**3.56** As noted earlier, in 2015 students with a disability were exempt from paying student fees for the first subsidised qualification commenced in a calendar year. National Disability Services expressed concern at the fact that the fee exemption did not apply to subsequent qualifications, explaining that disabled students face particular challenges and that this policy setting may well limit their ability to participate in training:

For a person with disability who needs to build their capacity and confidence to study by initially participating in shorter courses, or is struggling to find a course best suited

<sup>109</sup> Evidence, Mr Jewell, 11 September 2015, p 7.

<sup>110</sup> Correspondence from Mr Harmstorf to Chair, 16 November 2015, p 4.

<sup>111</sup> Correspondence from Mr Harmstorf to Chair, 16 November 2015, p 4.

<sup>112</sup> Evidence, Ms Christie, 22 September 2015, p 22.

to their particular needs, this factor is likely to limit their ongoing pursuit of, and progress in, vocational education and training.<sup>113</sup>

- 3.57** In response to such concerns, the government announced that from 1 January 2016, students with a disability will be exempt from fees for any Smart and Skilled qualification they undertake, regardless of the number of qualifications in which they enrol or the level of the qualification.<sup>114</sup>

### **Requirement to disclose disability on enrolment**

- 3.58** Under Smart and Skilled, eligibility for the disability fee exemption, as well as the 15 per cent loading, is determined on enrolment. This requires students who wish to apply for the fee exemption and loading to disclose their disability when they enrol in a qualification. Eligibility for these supports cannot be adjusted after enrolment.<sup>115</sup> Previously, students could identify as disabled at any time during their course, and then receive their entitlement to the exemption or learner support.<sup>116</sup>

- 3.59** Several stakeholders argued that the requirement to disclose disability on enrolment acts as a barrier for students with a disability who wish to participate in vocational education and training. Ms Lorraine Watson, a Teacher Consultant at the TAFE NSW Illawarra Institute, provided the following explanation for why students might be reluctant to disclose their disability on enrolment:

[M]y 26 years of experience in working with students in the VET sector has taught me that many students very deliberately choose not to disclose that they have a disability at the time of enrolment and many have valid reasons for doing this. Firstly, if there is no information provided to explain the advantages of declaring that they have a disability people see no positive purpose in identifying. Secondly, the experience of many people with disabilities, in particular those who have epilepsy, a mental illness and even those with a back injury, is that once they declare their disability they will be subjected to some form of discrimination and will be denied entry or opportunity to participate. Therefore, many people think that it will not serve their interest to declare that they have a disability on an online application or before they commence a course of study.<sup>117</sup>

- 3.60** Other inquiry participants pointed out that the requirement to disclose disability on enrolment:

- is not well explained, with students unaware of the consequences of not disclosing this information and assuming that their needs will be met when they are accepted into and pay for courses<sup>118</sup>

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<sup>113</sup> Submission 199, National Disability Services, p 3.

<sup>114</sup> Answers to questions on notice, Mr Barilaro, p 3.

<sup>115</sup> Smart and Skilled Fee Administration Policy, Version 1.2, May 2015, pp 26-26.

<sup>116</sup> Submission 185, TAFE Community Alliance, p 16.

<sup>117</sup> Submission 268, Ms Lorraine Watson, p 12.

<sup>118</sup> Submission 253, People with Disability Australia, p 5.

- disadvantages students who do not initially identify as disabled until they have gained the trust of a teacher or member of support services<sup>119</sup>
- does not take into account students who acquire disability during their studies or who have a change in their support needs.<sup>120</sup>

### Impact of the National Disability Insurance Scheme

**3.61** Another issue explored in this inquiry was what the advent of the National Disability Insurance Scheme (NDIS) would mean for vocational education and training sector. As National Disability Services explained in their submission, this will increase demand for trained workers as well as demand for more training opportunities for students with a disability:

The full rollout of the NDIS in NSW will see the number of people with significant and permanent disability receiving support grow from around 50,000 in 2012 to 140,000 by 2018. Not only will there be a substantially increased demand for vocational education and training by people actively and increasingly empowered to make informed choices about their career directions, there is also a corresponding need to support the growth and professional development of the workforce required to meet this demand.<sup>121</sup>

**3.62** In his evidence to the committee, Minister Barilaro noted estimates that with the NDIS roll-out, New South Wales will require 25,000 additional personnel in the next three to four years to support people with a disability.<sup>122</sup>

**3.63** This demand has recently led to the announcement of an additional \$10 million to allow the NSW Government to subsidise 2,000 additional training places in Disability, Community Services, Auslan and Aged Care courses from 2016.<sup>123</sup> This funding is designed to ensure that New South Wales has ‘the carers in place and [is] ready for the NDIS rollout as we shift away from a lot of providers being in the government sector to more in the private sector’.

**3.64** The NSW Government recently signed an agreement with the Commonwealth for the full roll out of the NDIS scheme. TAFE NSW advised the committee that it:

... will continue to support the NSW Government’s efforts in the rollout where required ... and will continue work with government agencies to work with and provide data and other expertise to government as required.<sup>124</sup>

<sup>119</sup> Submission 185, TAFE Community Alliance, p 16.

<sup>120</sup> Submission 253, People with Disability Australia, p 5.

<sup>121</sup> Submission 199, National Disability Services, p 1.

<sup>122</sup> Evidence, Mr Barilaro, 22 September 2015, p 33.

<sup>123</sup> Answers to questions on notice, Mr Barilaro, p 2.

<sup>124</sup> Answers to questions on notice, Ms Pam Christie, Managing Director, TAFE NSW, 21 October 2015, p 9.

## Contractual arrangements with providers

- 3.65** Under Smart and Skilled, the government pays providers a set price (or ‘subsidy’) per qualification for each student, pursuant to a contract between State Training Services and the provider. 338 training providers were successful in obtaining Smart and Skilled funding as a result of the initial contract allocation round.
- 3.66** Under the contract, State Training Services determines which qualifications it will allocate to the provider for provision of a subsidy. The provider is notified of this allocation in the form of an ‘Approved Qualifications Activity Schedule’, which sets out, among other things, the applicable financial cap, the qualifications for which they can collect subsidies (entitlements) and the regions in which they can deliver these qualifications.<sup>125</sup> These concepts are explained further below.

### Length of the contracts

- 3.67** One issue raised in this inquiry is some apparent uncertainty around the length of the provider contracts – namely, whether they are for 12 months or three years. Mr Collins advised the committee that, ‘subject to satisfactory outcomes [providers’] contracts will be rolled over with a cap that takes account of training activity in 2015’.<sup>126</sup> Questioned by the committee about the length of the contracts, Mr Collins did not agree that they are for a 12-month term, and explained how the concept of how a ‘rolling contract’ works in practice:

There is a rolling contract and when we introduce the application, we advise providers that it was likely that the contract would be for three years; so it was not a commitment around that because there were a few uncertainties, but it is a rolling contract. Providers are reviewed on their performance at the end of the first year and all things being equal the contract will be renewed to move into the coming year.<sup>127</sup>

- 3.68** Similarly, Mr Philip Clark AM, Chair of the NSW Skills Board, told the committee that the board understands the contracts to be ‘rolling one year contracts, and that subject to satisfactory performance, they will be continued for up to three years’.<sup>128</sup>
- 3.69** However, there appeared to be a disconnect between Mr Collins’ and Mr Clark’s description of ‘rolling’ contracts over a three-year period, and the perception of training providers. Several training providers told the committee that they understood the contracts to have a 12-month term, and remarked on the difficulties they faced as a result.
- 3.70** For example, Mr Jeff Green, General Manager of All Excavations Training, gave evidence that a 12-month contract makes it hard for his business to plan and secure bank funds to invest in training facilities:

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<sup>125</sup> Smart and Skilled Contract Terms and Conditions 2015, 8 October 2014, pp 2-3.

<sup>126</sup> Answers to supplementary questions, Mr Collins, 22 October 2015, p 7.

<sup>127</sup> Evidence, Mr Collins, 22 September 2015, p 3.

<sup>128</sup> Answers to questions on notice, Mr Philip Clark AM, Chair, NSW Skills Board, 18 November 2015, p 2.

The concern is definitely with the periods of the contracts. I would like to take this training to as many people who want to learn how to operate earthmoving equipment and move into this industry. We are currently expanding where we can take it to centres in New South Wales. For me to go to a bank and tell them that I want to set-up in six different areas and borrow the amount of funding that is available to buy six fleets of equipment to do this is quite a substantial sort of investment and the contract periods are something to consider, especially when you take something like this to a bank.<sup>129</sup>

- 3.71** Similarly, Mr Gary Redman, Chief Executive Officer of Training Experts Australia Pty Ltd commented on the lack of certainty in the contractual arrangements, telling the committee, ‘it is difficult to plan years out, the following year, whatever you are doing at Christmas time, now for instance, without certainty of getting a contract or receiving a renewal of a contract ...’. Mr Redman also noted that other states had in place longer contracts with their providers, for example five years in Queensland and three years in Victoria.<sup>130</sup>
- 3.72** Mr Rod Camm, the Chief Executive Officer of the Australian Council for Private Education and Training, informed the committee that those states with longer contractual periods include a provision making the contract subject to the budget appropriation process. This reflects the fact that ‘departments cannot plan five years in advance as to what their appropriations will be’, while at the same time ‘giv[ing] the provider a little more confidence about long-term investments’.<sup>131</sup>

### **Payment in instalments**

- 3.73** Unlike the fee arrangements prior to 2015, student fees under Smart and Skilled are set for the whole qualification, rather than being charged on an annual or semester basis.
- 3.74** Another feature of the Smart and Skilled contractual arrangements is that the subsidy for a qualification is paid to providers in three instalments, based on students achieving certain competencies. Mr Collins informed the committee:

Based on IPART advice, payments to providers occur in instalments based on Unit of Competency outcome achievements. On each of the Unit of Competency achievement stage the provider is entitled to a percentage of payments for the subsidy (and loading if applicable).

For most qualifications there are three payment stages:

1. Commencement.
2. Study progress.
3. Completion.<sup>132</sup>

<sup>129</sup> Evidence, Mr Jeff Green, General Manager, All Excavations Training, 11 September 2015, p 17.

<sup>130</sup> Evidence, Mr Gary Redman, Chief Executive Officer, Training Experts Australia Pty Ltd, 22 September 2015, p 55.

<sup>131</sup> Evidence, Mr Rod Camm, Chief Executive Officer, Australian Council for Private Education and Training, 22 September 2015, p 56.

<sup>132</sup> Answers to supplementary questions, Mr Collins, 22 October 2015, pp 4-5.

**3.75** According to the Smart and Skilled Contract Terms and Conditions 2015, for Certificate I, II, III and IV qualifications:

- twenty per cent of the subsidy is paid on commencement
- forty per cent is paid once at least half of the units of competency have been completed satisfactorily
- the remaining forty per cent is paid on completion of the certificate.<sup>133</sup>

**3.76** The committee heard from several training providers that the payment of the subsidy in three instalments can create cash flow difficulties and effectively increases risk for their businesses. As Mr Redman said:

We get paid 20 per cent upon commencement of the training. Then we do not get paid anything else until 50 per cent of the training is complete. So if 49 per cent of the training is conducted, we only get 20 per cent of the funds.<sup>134</sup>

**3.77** Similarly, Mr Holihan felt that the instalment arrangements effectively penalised him when his students gained employment before completing a qualification. He told the committee:

I particularly find that a difficult payment system when you are talking about certificate II level students because I am training students and getting them to a point where they are getting full-time employment, but I am being penalised because they are dropping out of the course because they have got a full-time job. ... So I am training them to a level prior to them finishing that course but I have set up a program based on X amount of dollars. They are getting jobs—great for everybody. Then I do not get the final payment. To me, that is penalising you for doing a good job.<sup>135</sup>

**3.78** In Mr Redman's view, the model in place in Victoria, Queensland and Western Australia, whereby providers are paid on completion of a unit in arrears, is a better model to the instalment payment arrangements under Smart and Skilled.<sup>136</sup>

### **Financial and regional caps**

**3.79** As noted earlier, under Smart and Skilled providers are subject both to financial caps and regional caps under the contract.

- Financial caps are the maximum amount of subsidies that a provider may receive in an activity period for the qualifications it is approved to deliver.
- Regional caps are the geographic regions in which a provider may offer the qualifications it is approved to deliver.<sup>137</sup>

**3.80** By way of illustration, the Smart and Skilled Contract Terms and Conditions gives the following as an example of how the financial caps and regional caps work in practice:

<sup>133</sup> Smart and Skilled Contract Terms and Conditions 2015, 8 October 2014, p 18.

<sup>134</sup> Evidence, Mr Redman, 22 September 2015, p 55.

<sup>135</sup> Evidence, Mr Holihan, 11 September 2015, p 4.

<sup>136</sup> Evidence, Mr Redman, 22 September 2015, p 55.

<sup>137</sup> Smart and Skilled Contract Terms and Conditions 2015, 8 October 2014, p 20.

An Approved Qualifications Activity Schedule ... provides the Provider with:

- (i) for the Sydney region, the Approved Qualifications: Certificate II in Business, Certificate III in Pathology and Certificate IV in Frontline Management; and
- (ii) a Financial Cap of \$25,000.

This means that during the Activity Period across all of these Approved Qualifications in the Sydney region, the Provider will not be entitled to receive more than \$25,000 in Standard Subsidies.<sup>138</sup>

**3.81** The decision to place a cap on the amount of subsidies a provider may receive, and the regions in which subsidised training can be delivered, was to ensure that the Smart and Skilled reforms would be budget neutral.<sup>139</sup>

**3.82** However, a number of industry stakeholders and private providers identified two key difficulties with the way this model has been implemented:

- providers being allocated financial caps which were not financially feasible to work with
- rigidity around the allocation of funded places in a restricted number of regions.<sup>140</sup>

**3.83** In relation to unfeasible financial caps, the Australian Council for Private Education and Training told the committee that its members had reported instances of contracts being offered that would fund as few as one and a half enrolments, contract offers where delivery costs would exceed revenue, and businesses needing to enroll employees with multiple providers because of small contract sizes.<sup>141</sup>

**3.84** By way of concrete example, the committee heard evidence from Ms Leisa Harrison, Senior Manager of Essential Skills Training and Recruitment, a training provider based in Newcastle. Ms Harrison told the committee that the financial cap allocated to her business was too small and that they were allocated a region whether they had never previously operated:

When we got our allocation we originally thought it was a mistake—that there was a computer issue—being based in Newcastle and all of our completion rates being mainly in Newcastle. State Training Services has that data because we report on that every time we do a claim. We got \$30,000 in the Riverina and that was it. So for us to be able to do face-to-face—and \$30,000 would only get you about five or six students—it was not cost-effective, so we have been unable to use that.<sup>142</sup>

**3.85** During this inquiry, questions were asked of State Training Services as to how the regional caps were determined. The committee was told that these were developed by State Training

<sup>138</sup> Smart and Skilled Contract Terms and Conditions 2015, 8 October 2014, p 22.

<sup>139</sup> New South Wales Auditor-General's Report, *Performance Audit: Vocational Education and Training Reform*, 29 January 2015, p 16.

<sup>140</sup> Submission 203, NSW Public Sector Industry Training Advisory Body, p 5.

<sup>141</sup> Submission 243, Australian Council for Private Education and Training, p 11.

<sup>142</sup> Evidence, Ms Leisa Harrison, Senior Manager, Essential Skills Training and Recruitment, 18 September 2015, p 28.

Services based on ‘skills profiles’ that were created for each region,<sup>143</sup> however these profiles were not made available to the committee or to the public.

- 3.86** The committee was also told that the inflexibility of the regional caps model has created difficulties for companies wanting to train their employees. For example, Ms Tania Tsiamis, General Manager of IRT College, gave evidence that the strict regional caps have forced her college to ‘engage with multiple providers to deliver on our workforce development needs rather than one provider because everyone has been given different caps in different regions or none at all’.<sup>144</sup> She described this process as ‘inefficient and counterproductive’.<sup>145</sup> Similarly, the Automotive Training Board NSW submission commented that:

Unfortunately caps provided for RTO’s within regions has meant that in a number of instances, the preferred provider was unable to deliver the training required to meet a specific skills set. These companies have then had to look at alternative providers who may not have met their cap within the region. Unfortunately, the other providers were not able to deliver the same level of flexibility and training needs for the companies, and in each instance, the companies determined not to move ahead with the training. This not only resulted in a large cohort not undertaking training, but has meant that no training has occurred for these companies since the difficulties they faced not being able to access specific training.<sup>146</sup>

- 3.87** In response to these concerns, the committee was told by Mr Collins that training providers were given input into whether the financial cap provided for under their contract was adequate to meet demand in their region. He gave evidence that:

... it was not just a whim of giving funding to providers. The provider was asked if it wanted a contract. It said yes. It was given a cap and then asked if it wanted to demonstrate whether that cap was adequate to meet demand. So it was not just a case of giving them a cheque and saying, “Here you go”. There was a process where the provider, having met the quality criteria, was offered the opportunity to take up a contract, which it accepted. It was offered the opportunity to tell government how much demand it thought it would experience.<sup>147</sup>

### **Subsequent increase in financial and regional caps**

- 3.88** As stated above, 338 training providers were successful in obtaining Smart and Skilled funding as a result of the initial contract allocation round in late 2014. The government set aside approximately \$430 million for successful Smart and Skilled tenderers, as explained by Mr Collins:

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<sup>143</sup> Presentation by Mr David Collins, Executive Director, Market Quality and Operations, NSW Department of Industry, dated 10 September 2015.

<sup>144</sup> Evidence, Ms Tania Tsiamis, General Manager, IRT College, 12 October 2015, p 26

<sup>145</sup> Evidence, Ms Tsiamis, 12 October 2015, p 19.

<sup>146</sup> Submission 249, Automotive Training Board NSW, p 3.

<sup>147</sup> Evidence, Mr Collins, 22 September 2015, pp 9-10.

The original 2015 entitlement budget allocation for the full calendar year was \$429.7 million. This includes funding for financial caps, loadings and fee gap estimates for fee exempt students.<sup>148</sup>

**3.89** The committee was informed that around 150 additional providers tendered for contracts and met the quality benchmarks, but did not receive contracts in the initial round because of budget constraints.<sup>149</sup>

**3.90** However, Mr Collins advised the committee that the expected budget constraints did not arise because, as it turned out, a lower than anticipated student take up of Smart and Skilled places meant that the budget allocation was underspent by \$113.5 million:

As reported in Budget Paper no, 3 (page 6-11) the VET budget for financial year 2014-15 was underspent by \$113.5 million due to lower than expected market response to Smart and Skilled since its start in January 2015.<sup>150</sup>

**3.91** Accordingly, Mr Collins stated that, part way through 2015, State Training Services:

... went to those providers who had met the quality criteria of the application but, because of our initial budget position, were not able to be funded. We offered them the opportunity to take a contract.<sup>151</sup>

**3.92** Mr Collins noted that by September 2015 there were over 400 providers with Smart and Skilled contracts.<sup>152</sup> He also told the committee that 'One-hundred per cent (100%) of the funding for reallocations was from unutilised caps'.<sup>153</sup>

**3.93** In addition, the committee was also informed that a separate amount of \$57 million was identified as being available for allocation under Smart and Skilled from unexpended 2014 funds:

The funds were identified through an end-of-year reconciliation of 2014 State Training Services funding programs including the Strategic Skills and Apprenticeship and Traineeship Training Programs. The reconciliation identified approximately \$57 million in unexpended 2014 funds that were available for allocation under Smart and Skilled in 2015. None of it came from under-spent financial caps from the initial funding round.<sup>154</sup>

<sup>148</sup> Answers to questions on notice, Mr David Collins, Executive Director, Market Quality and Operations, NSW Department of Industry, 22 October 2015, p 1.

<sup>149</sup> Evidence, Mr Peter McDonald, Executive Officer, New South Wales and Australian Capital Territory, Australian Council for Private Education and Training, p 57.

<sup>150</sup> Answers to questions on notice, Mr Collins, p 1.

<sup>151</sup> Evidence, Mr Collins, 22 September 2015, p 6.

<sup>152</sup> Presentation entitled 'Smart and Skilled' by Mr David Collins, Executive Director, Market Quality and Operations, NSW Department of Industry, dated 10 September 2015, p 11.

<sup>153</sup> Answers to questions on notice, Mr Collins, p 1.

<sup>154</sup> Correspondence from the Hon John Barilaro MP, Minister for Skills, to Chair, 19 November 2015, pp 1-2.

- 3.94** Mr Philip Clark AM, Chair of the NSW Skills Board, told the committee that the board set parameters for how the additional \$57 million in unexpended funding from 2014 should be spent, focusing on addressing:
- ‘courses in some regions [which] were capped at such a small amount that it was just not worthwhile teaching there’
  - ‘courses in regions [which] were not provided for at all because no provider had bid’.<sup>155</sup>
- 3.95** Minister Barilaro advised that of the \$57 million, \$20.6 million was allocated to increase small regional caps for providers, namely those below the small regional cap benchmark of \$31,000. Minister Barilaro stated that the vast majority of this went to non-TAFE providers, explaining:
- One per cent (1%) of the value of small regional cap increases went to TAFE NSW. The remaining 99 percent went to other providers. TAFE NSW’s proportion was small because there were very few instances (16 only) where the regional caps of TAFE NSW Institutes were below the small cap benchmark of \$31,000. This compared to 883 instances where the regional caps for other providers needed to be increased to meet the small cap benchmark.<sup>156</sup>
- 3.96** The committee heard from several providers who had recently received an increase in their regional caps. For example, a Newcastle-based training provider advised the committee that they had been allocated \$30,000 for a single region in the initial round – enough to fund only around five training places – but had recently been allocated an additional \$30,000 for each of the regions for which they had applied.<sup>157</sup>
- 3.97** When questioned on the number of providers whose caps had been increased, Mr Collins informed the committee that ‘there are over 13,750 caps and 4,715 instances where a cap has been adjusted since the initial allocation in January 2015’. However, he explained that he was unable to provide data on the size of the increases or the specific reasons why the caps were increased, due to ‘the complexity of analysing and reporting these changes for each instance’.<sup>158</sup>

### **Extension of geographic boundaries for apprenticeships and traineeships**

- 3.98** Aside from the subsequent increase to financial and regional caps, providers have also experienced an increase to the geographic boundaries in which they may deliver apprenticeships and traineeships.
- 3.99** Following the introduction of Smart and Skilled on 1 January 2015, the government announced that, from 4 June 2015, 259 contracted training providers would be able to ‘extend the delivery of their apprenticeship and traineeship training across different geographic areas

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<sup>155</sup> Evidence, Mr Clark, 9 November 2015, pp 9-10.

<sup>156</sup> Correspondence from the Hon John Barilaro MP, Minister for Skills, to Chair, 19 November 2015, p 2.

<sup>157</sup> Evidence, Ms Harrison, 18 September 2015, p 28.

<sup>158</sup> Answers to supplementary questions, Mr Collins, 19 November 2015, p 1.

where there was a demand for their services'.<sup>159</sup> According to Minister Barilaro, '[t]his move is likely to unlock a further 47,000 training places for apprentices and trainees in 2015-16'.<sup>160</sup>

**3.100** Mr Collins acknowledged that this adjustment was a response to:

... very strong feedback from industry sectors that the nature of the allocation of apprenticeship caps was not enabling them to do what they need to do because their preferred providers got caps in some regions and not others.<sup>161</sup>

## Review of Smart and Skilled

**3.101** The committee was informed that a two-phase review of the first year of Smart and Skilled is currently in progress, having been commissioned by the NSW Skills Board to inform future directions for vocational education and training reform.<sup>162</sup> The review involves 'extensive consultations with students, industry, providers and representative bodies'.<sup>163</sup>

**3.102** The first phase of the review process is being conducted by Nous Group and was due to be completed by the end of October 2015. That phase focuses on the Smart and Skilled provider application and administrative processes, and is outlined in chapter 4.

**3.103** The second phase, due for completion by the end of April 2016, is to assess and advise on:

- the effectiveness of the following policy tools in achieving the Government's vocational education and training reform objectives:
  - the scope of the Smart and Skilled entitlement
  - the NSW Skills List
  - the NSW Quality Framework
  - regulated price and fee arrangements
  - thin market arrangements
- the impact of budget arrangements in supporting the objectives of Smart and Skilled, including Community Service Obligation funding and the direct allocation of non-contestable funding to TAFE NSW
- changes to policy tools and budget arrangements to enhance outcomes
- initial trends under Smart and Skilled in student participation and attainment, employer and student satisfaction with quality of training.<sup>164</sup>

<sup>159</sup> Answers to questions on notice, Mr Barilaro, p 2.

<sup>160</sup> Evidence, Mr Barilaro, 22 September 2015, p 26.

<sup>161</sup> Evidence, Mr Collins, 22 September 2015, p 6.

<sup>162</sup> Evidence, Mr Collins, 22 September 2015, p 2.

<sup>163</sup> Presentation entitled 'Smart and Skilled' by Mr David Collins, Executive Director, Market Quality and Operations, NSW Department of Industry, dated 10 September 2015, p 12.

<sup>164</sup> NSW Skills Board, Terms of reference, *First Year Review of Smart and Skilled*, p 2.

## Committee comment

- 3.104** It is not surprising that the first year of implementing as significant and complex a reform as Smart and Skilled has seen some problems.
- 3.105** Some of the problems identified in this inquiry have been deeply troubling, perhaps none more so than the eligibility rule prohibiting students with a previous higher qualification from accessing entitlement subsidies. There are many circumstances in life that might lead someone to retrain in another field, such as people who are injured at work. It is imperative for these people to have access to subsidised training under Smart and Skilled, apart from in circumstances where WorkCover pays for the cost of their retraining.
- 3.106** The committee is heartened by Minister Barilaro's openness and flexibility in responding to stakeholder concerns, finally addressing this particular issue in September 2015. However, the committee believes that the difficulties this eligibility rule caused were foreseeable well before Smart and Skilled was implemented. The rule should never have been introduced.
- 3.107** It is critical that this change to the eligibility rules is communicated and promoted widely, so that those affected, particularly older workers and new migrants, are empowered with the knowledge that they are entitled to enrol in a subsidised place in 2016.
- 3.108** In relation to qualification prices, the committee was concerned to hear that the methodology developed by IPART has resulted in some qualifications being priced too low to cover the costs of delivering the course for TAFE, for example plumbing and arboriculture qualifications, and too high for some non-TAFE providers of other qualifications. The difference in quality and in addressing educational goals between the TAFE and non-government sectors make setting a single meaningful price impossible. In this regard, we note that the second phase of the review being undertaken by the NSW Skills Board, due for completion in April 2016, includes the regulated price and fee arrangements under Smart and Skilled.
- 3.109** The committee shares the concerns of several stakeholders who believe that IPART's methodology results in pricing structures are not reflective of the cost of a qualification's delivery. The committee further believes that IPART's market testing procedures were found wanting and in need of revision so they reflect current market conditions..

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### Recommendation 1

That the NSW Government require IPART to revise its market price testing procedures to reflect current market conditions in the vocational educational and training sector.

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- 3.110** The committee also heard about the large increases in student fees for some courses under Smart and Skilled. The committee welcomes the 200,000 fee-free places announced by the government in July 2015. However, this will alleviate the effect of the student fee increases only for those who meet the strict eligibility criteria. Many in the community who wish to engage in vocational education and training, such as people aged over 30, do not. More specifically, there may also be issues around the requirement that students be in receipt of Commonwealth welfare benefits to be eligible for a fee-free place. It is possible this may lead

to a situation where receiving welfare payments becomes an entrenched situation for those students wanting to access a fee-free place.

- 3.111** The committee therefore calls on the government to ensure that the Smart and Skilled review take into account concerns regarding inadequate qualification pricing and high student fees. The committee also believes that the NSW Skills Board should model the price elasticity of demand of different qualification prices, before it endorses any new fee structure. In addition, the Skills Board should research whether an ‘efficient price mechanism’ is suitable for estimating the cost of a non-commodified service like vocational education, or whether alternative pricing mechanisms would produce more equitable and efficient outcomes.

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### **Recommendation 2**

That the NSW Government ensure that the Smart and Skilled review being overseen by the NSW Skills Board takes into account concerns regarding inadequate pricing of qualifications and high student fees.

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### **Recommendation 3**

That prior to endorsing any fee structure, the NSW Skills Board model the price elasticity of demand of different qualification prices.

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### **Recommendation 4**

That the NSW Skills Board research whether an ‘efficient price mechanism’ is suitable for estimating the cost of a non-commodified service like vocational education, or whether alternative pricing mechanisms would produce more equitable and efficient outcomes.

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- 3.112** The committee is concerned that the Smart and Skilled policy settings designed to support disabled students to access vocational education and training are inadequate.
- 3.113** First and foremost, the committee has heard persuasive evidence from a range of stakeholders that the 15 per cent disability loading is inadequate to cover the true costs of supporting students with a disability, even taking into account that these costs are supplemented with Community Service Obligation funding. For one thing, because only TAFE and approved Adult Community Education providers receive Community Service Obligation funding, relying on this funding stream to cover the costs of delivering training to students with a disability effectively denies those students the choice to enrol with other training providers. In addition, there appears to be a real lack of consistency and transparency around the use of this funding stream to support students with a disability. As a key service provider for students with a disability, funding for students with a disability at TAFE needs to be better tailored to match transparently individual student needs.

- 3.114** The committee accepts that a disability loading is the best available mechanism to pay for the higher costs of delivering training to students with a disability in a contestable market, regardless of the training provider chosen. However, the committee has come to the view that imposing an average or ‘one size fits all’ loading, even if it were higher than 15 per cent, fails to provide the flexibility required in supporting students with varying disabilities and support needs.
- 3.115** The committee acknowledges IPART’s concerns about the complexity involved in developing a more flexible disability loading system based on students’ individual needs. Nevertheless, we believe that the current ‘one size fits all’ 15 per cent loading should be abolished. The government should develop and implement a new disability loading system based on the principle of individual needs, which may include a sliding scale, in consultation with the disability sector. This will create a system that takes into account the special individual needs of each student.
- 3.116** In addition, the committee has heard compelling evidence around why students may choose not to disclose their disability upfront, and believes the requirement to disclose disability on enrolment acts as a barrier to some students with a disability who may, for whatever reason, not wish to disclose this upfront, or who acquire their disability during their studies. The committee is of the view that the government should remove the requirement to declare disability on enrolment in order to access the disability fee exemption and loading, and allow students with a disability to access these supports at any stage throughout their studies. The committee also encourages the government to provide more information around the reason why disability questions are only asked at the enrolment stage.
- 3.117** The committee also urges the NSW Government to ensure that the funding priorities and operational considerations of Smart and Skilled are aligned with, and deliberately informed by, the needs of participants and the requirements of the disability services industry under the National Disability Insurance Scheme.
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### **Recommendation 5**

That the NSW Government make vocational education and training under Smart and Skilled more accessible to students with a disability by:

- abolishing the current ‘one size fits all’ 15 per cent disability loading
  - developing and implementing a new disability loading system based on the principle of individual needs, which may include a sliding scale, in consultation with the disability sector
  - removing the requirement to declare disability on enrolment in order to access the disability fee exemption and loading, allowing students with a disability to access these supports at any stage throughout their studies
  - providing more information around why disability questions are asked only at the enrolment stage.
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- 3.118** The contractual arrangements between State Training Services and providers in receipt of Smart and Skilled funding are complex. In this first year of operation, it is perhaps not surprising that there have been some speedbumps along the way.
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- 3.119** However, one relatively straightforward thing the government has inexplicably failed to do is give providers certainty around the length of the contracts. The fact that the contracts are *intended* to ‘roll over’ from year to year over a three-year period subject to satisfactory performance has not been adequately communicated to providers. This misunderstanding has caused some providers great difficulty in planning ahead and investing in their business. The committee believes that the contractual arrangements should be changed to provide for a three-year term, subject to the budget appropriation process and satisfactory performance.
- 3.120** The committee also notes with concern that the payment of the Smart and Skilled subsidy in three instalments creates cash flow difficulties for providers, and effectively increases risk for their businesses. The committee urges the NSW Government to amend its current policy so that private providers are paid upon completion of a unit rather than in stages, similar to the policy in use in Victoria, Queensland and Western Australia.
- 3.121** The decision to impose financial and regional caps on providers was designed to avoid the budget blow-outs experienced in other jurisdictions. This in itself is no bad thing. However, the implementation of this model has been far from perfect, particularly in the awarding of unviable financial caps and inflexible regional caps. The fact that around one-third of caps have been adjusted since the initial allocation in January 2015 is clear evidence of a process that has not been managed as well as it could have been.
- 3.122** However, the committee also acknowledges that the government has responded to feedback from providers in making certain adjustments along the way. This is appropriate. The committee encourages the government to continue to look at ways of improving its arrangements with providers as part of the Skills Board review.
- 3.123** On another note, the committee is disappointed at the failure to make public the skills profiles that were developed for each region. The committee believes there should have been greater transparency around these profiles, given they would have been critical in informing what financial and regional caps to impose. At the very least, the committee ought to have been provided with a dashboard clearly summarising the skills needs of each region.

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### **Recommendation 6**

That the NSW Government improve the Smart and Skilled contractual arrangements with training providers by:

- extending the contracts to three-year terms, subject to the budget appropriation process and providers demonstrating satisfactory performance
  - amending its current policy so that private providers are paid upon completion of a unit rather than in stages, similar to the policy in use in Victoria, Queensland and Western Australia
  - continuing to look at ways of improving its arrangements with providers as part of the Smart and Skilled review being overseen by the NSW Skills Board.
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## Chapter 4 The Smart and Skilled provider application process

This chapter examines the process by which registered training organisations applied for Smart and Skilled contracts for 2015, and the concerns expressed by many training providers about this process.

### The provider application process

- 4.1** In the months leading up to the commencement of Smart and Skilled, State Training Services conducted a process whereby registered training organisations applied for contracts to deliver government subsidised training from 1 January 2015. This process, known as the ‘Smart and Skilled Provider Application’, was effectively a competitive tender to select which providers (including TAFE NSW, private and community providers) would be able to deliver entitlement qualifications. The application opened in June and closed in August 2014.
- 4.2** According to Mr David Collins, Executive Director, Market Quality and Operations, NSW Department of Industry, the design of this process was based on the following government priorities:
- high quality training
  - consumer choice
  - budget neutrality
  - a strong public vocational education and training sector.<sup>165</sup>
- 4.3** The process was guided by a steering committee which included an independent probity advisor and an external VET quality advisor.<sup>166</sup>
- 4.4** As for the methodology used to select which providers would be awarded contracts, Mr Collins noted that this was based on the eligibility and assessment criteria set out in the NSW Quality Framework. The methodology involved a three-stage assessment looking at the following areas:
- assessment area 1: organisational capacity and capability
  - assessment area 2: contractual compliance and performance
  - assessment area 3: qualification capability, capacity and performance by region.<sup>167</sup>
- 4.5** In terms of how this methodology was applied in practice, Mr Collins stated:
- RTOs were required to meet minimum benchmarks set for assessment areas 1 and 2 (organisational assessment and compliance) to be considered for approval to deliver qualifications in regions.

<sup>165</sup> Answers to supplementary questions, Mr David Collins, Executive Director, Market Quality and Operations, NSW Department of Industry, 22 October 2015, p 2.

<sup>166</sup> Answers to supplementary questions, Mr Collins, 22 October 2015, p 3.

<sup>167</sup> Answers to supplementary questions, Mr Collins, 22 October 2015, p 3.

Fifteen ABS regions were used and training activity targets were established for qualifications in each of the regions based on forecasted activity and available budget.

For the Smart and Skilled Entitlement Full Qualifications program, provider financial caps for training commencements in 2015 were allocated on the basis of providers' relative assessment scores and the capacity to meet forecasted student demand in each of the regions.

The final outcomes were subject to sensitivity analysis to achieve the best balance between:

- adequate coverage of qualifications in both metropolitan and regional areas
- sustainable structural adjustment in year one for the public provider
- sufficient diversity of providers for consumer choice
- sufficient size of allocation to some providers in some regions for economic viability.<sup>168</sup>

**4.6** A total of 747 providers lodged applications for Smart and Skilled contracts between 30 June and 8 August 2014.<sup>169</sup> Following the assessment process, 338 providers were awarded contracts in the initial contract allocation round, finalised in October 2014.<sup>170</sup> Providers were then given the opportunity to seek written feedback on their applications.

**4.7** In addition, a formal complaints or 'appeals' process was put in place for those providers who felt they had been unfairly excluded or disadvantaged by the application process. These complaints were dealt with by a team which included an independent probity adviser. According to Mr Collins, a total of 30 complaints were received.<sup>171</sup>

**4.8** Further, in around mid-2015, a number of additional contracts were awarded, bringing the total number of providers to over 400.

## Concerns about the process

**4.9** Many registered training organisations who gave evidence to this inquiry expressed serious concerns about the Smart and Skilled provider application process. These concerns relate to the lack of transparency around the methodology used to assess which training providers would receive Smart and Skilled funding, as well as the methodology itself; and poor communication between State Training Services and providers about the outcomes of the application process.

### Lack of transparency around assessment methodology

**4.10** An initial theme to emerge from the concerns expressed in submissions and at hearings by training providers was the lack of transparency around the assessment methodology used by State Training Services. In other words, numerous providers felt they were in the dark about

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<sup>168</sup> Answers to supplementary questions, Mr Collins, 22 October 2015, p 3.

<sup>169</sup> NSW Department of Education and Communities, *Annual Report 2014*, p 229.

<sup>170</sup> NSW Skills Board, *Annual Report 2015*, p 12.

<sup>171</sup> Answers to supplementary questions, Mr Collins, 22 October 2015, p 7.

what criteria were being used to select which providers would be awarded Smart and Skilled contracts.

- 4.11** One key stakeholder who raised concern in this regard was the Australian Council for Private Education and Training, the national industry association for private providers of post-school compulsory education and training, which represents 1,200 providers including 330 based in New South Wales. Mr Rod Camm, the council's Chief Executive Officer, stated that many of his members had expressed frustration at the opaqueness of the process. He told the committee:

The frustration was the complete lack of transparency in that process. People were trying to tender. They did not understand the criteria, they did not receive adequate support and information around it or even understand what quantum of funding was available.<sup>172</sup>

- 4.12** The committee heard similar evidence from a number of private providers who gave evidence to the committee, set out below.

- Ms Karen Kearns, Chief Executive Officer of International Child Care College, a Newcastle-based training provider specialising in early childhood education and care training, stated that she had written to State Training Services seeking information about the assessment methodology but was told 'it was not available and they would not discuss it'.<sup>173</sup>
- Mr Gary Redman, Chief Executive Officer of Training Experts Australia Pty Ltd, stated that State Training Services 'gave us no transparency around what the inputs were into the selections made. We have emailed State Training Services and had no response back'.<sup>174</sup>
- Mrs Gaynor MacKinnon, Principal of the Trades Northwest Anglican Senior College, stated that 'it was a mystery to us whether Smart and Skilled funding actually did apply to school-based apprentices until the moment that we opened up the application for Smart and Skilled funding and saw the box that was to tick to say that we were interested in school-based funding. I had been at an information session later in the year before where David Collins was speaking and I asked him several times from the audience what would be the arrangements for funding for school-based apprenticeships and he said at that time, "You will hear about that later"'.<sup>175</sup>

<sup>172</sup> Evidence, Mr Rod Camm, Chief Executive Officer, Australian Council for Private Education and Training, 22 September 2015, p 58.

<sup>173</sup> Evidence, Ms Karen Kearns, Chief Executive Officer and Director of Studies, International Child Care College, 18 September 2015, p 34.

<sup>174</sup> Evidence, Mr Gary Redman, Chief Executive Officer, Training Experts Australia Pty Ltd, 22 September 2015, p 54.

<sup>175</sup> Evidence, Mrs Gaynor MacKinnon, Principal, Trades Northwest Anglican Senior College, 23 September 2015, p 10.

### **Inadequate assessment methodology**

**4.13** Mr Collins informed the committee that the assessment methodology essentially involved applying a ‘formula’ (or algorithm) which gave weightings to various factors in the online application process.<sup>176</sup>

**4.14** Many providers were critical of the methodology used by State Training Services to assess providers. One key criticism to emerge was that it required providers to answer a series of standard ‘pro forma’ questions on a website with drop-down boxes, rather than allowing them to provide qualitative information about their organisations.<sup>177</sup>

**4.15** The comments received during the inquiry from private providers included:

- ‘[a]t no point was there an area for us to provide further information that would have more than adequately answered the question’<sup>178</sup>
- ‘the application process was not sufficient. It did not ask for any examples to prove how you performed in the past or if you have been successful in certain areas of delivery’<sup>179</sup>
- ‘The application process was confusing. It lacked qualitative information about our organisation and asked questions that I thought were not relevant’<sup>180</sup>
- ‘the application process really had no relevance to an organisation that was solely dedicated to training school-based apprentices, so the questions in it were very difficult for us to negotiate and the help that was on the application form about what sort of answers you should give did not give us much guidance as to how we should be approaching it’<sup>181</sup>
- ‘the process seemed to be that if you did not pass or get a high-enough score in step one or two, your application got thrown out. There was no holistic view’.<sup>182</sup>

**4.16** As for the outcomes of the assessment process, several stakeholders expressed surprise that some long-term providers with significant links to industry were not awarded contracts, whereas providers with limited or no previous experience delivering those same qualifications were successful. For example, in relation to the construction sector, Mr David Bare, Executive Director NSW, Housing Industry Association, told the committee that:

... the results that came out was that most of the key industry groups did not get funding that had been delivering training and apprenticeships, or have had an apprenticeship scheme or a GTO [Group Training Organisation], for 40-odd years in New South Wales. You did not see the Master Plumbers, you did not see the Master

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<sup>176</sup> Evidence, Mr David Collins, Executive Director, Market Quality and Operations, NSW Department of Industry, 22 September 2015, p 10.

<sup>177</sup> Evidence, Mr Camm, 22 September 2015, p 54.

<sup>178</sup> Submission 121, All Automotive Training Services Pty Ltd, p 2.

<sup>179</sup> Evidence, Ms Leisa Harrison, Senior Manager, Essential Skills Training and Recruitment, 18 September 2015, p 28.

<sup>180</sup> Evidence, Mr Redman, 22 September 2015, p 54.

<sup>181</sup> Evidence, Mrs MacKinnon, 23 September 2015, p 11.

<sup>182</sup> Evidence, Mr David Bare, Executive Director NSW, Housing Industry Association, 22 September 2015, p 80.

Builders, and you did not see a whole lot of people get any significant funding at all. That was very odd. I guess what we are saying is that in the construction sector—and I cannot speak for others—there were only two private RTOs that got funding and we had not heard of either of them.<sup>183</sup>

- 4.17** The NSW Utilities and Electrotechnology Industry Training Advisory Body told the committee two similarly perplexing stories. It stated that Ausgrid, the largest employer of apprentices in the Electricity Supply Transmission Distribution and Rail sector, was not awarded a Smart and Skilled contract, despite having delivered such training for around a century and having purpose-built, state-of-the-art training centres; whereas ‘a number of TAFE colleges with limited experience and facilities’ were awarded contracts.<sup>184</sup>
- 4.18** Further, it told the committee that in the gas supply sector, the only registered training organisation delivering training in New South Wales, Zinfra, was informed that it would find it difficult to be awarded a Smart and Skilled contract because its head office was in Melbourne. However, the TAFE NSW New England Institute was subsequently approved to deliver this training despite the fact that it ‘had never delivered in this sector previously, had no infrastructure, no resources and no qualified trainers or assessors’, and despite only offering the training course in Tamworth when all gas supply apprentices are based in Sydney.<sup>185</sup>
- 4.19** One of the most compelling stories the committee heard about the frustrations and inadequacies of the provider application process came from Ms Kearns of the International Child Care College. Her evidence, which illustrates many of the criticisms outlined above, is reproduced in the following case study.

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<sup>183</sup> Evidence, Mr Bare, 22 September 2015, p 79.

<sup>184</sup> Submission 235, NSW Utilities and Electrotechnology Industry Training Advisory Body, pp 3-4.

<sup>185</sup> Submission 235, NSW Utilities and Electrotechnology Industry Training Advisory Body, p 4.

**Case study: International Child Care College**

‘My college is a niche provider of children's services. We have been registered for around 18 years. Last year we were invited by the Australian Skills Quality Authority [ASQA] to be a self-regulating RTO so that put us up in the top 11 per cent of RTOs in the country. We have never had a complaint and our completion rate has always been around 95 per cent. ...

When Smart and Skilled was announced International Child Care College were not offered a contract. We had, as I said, over 300 trainees. We had been invited to have more trainees. I write textbooks for children's services—four of them—and I am just completing the fourth edition. Those textbooks have won two awards. They are used by 90 per cent of private and public RTOs delivering children's services and they are also used by universities. We also write assessment materials which we have sold to over 110 RTOs including TAFE. We also sell other resources. When we got our rating back for Smart and Skilled my organisation was given a “D” for resources. ...

That means that they deemed my college not to have sufficient resources to deliver Smart and Skilled.

... [W]hen we applied for Smart and Skilled it was like a SurveyMonkey really. It had questions and you just had to put in numbers: “How many students do you have currently?” And it had questions like: “What is the total number of years’ experience of your trainers in 2012?” We are a small college. I might have had 10 trainers, so that might have been 100 years. But TAFE would have put theirs in and theirs probably would have been three million years—I do not know. What was the point of that sort of question? They asked the same question about admin staff: “How many combined years of experience?” They did not ask about completion rate. They did not ask me the mode of delivery. So they were dividing up funding based on what? ...

The day after people were given their allocations, two very large training providers rang my college and bought our resources. They had never delivered children's services before and they had no resources, yet they were given a contract.<sup>186</sup>

**4.20** In his evidence before the committee, Mr Collins was asked to explain why International Child Care College had missed out in the initial round of Smart and Skilled contract allocations. He told the committee that the college had passed the first two assessment areas (namely, organisational capacity and capability, and contractual compliance and performance). However, he noted that early childhood education and care qualifications are ‘very competitive’, and that the college was ‘not the most highly rated’ compared with other providers when it came to their regional capability, capacity and performance.<sup>187</sup>

**4.21** The committee asked questions of Mr Philip Clark AM, Chair of the NSW Skills Board, about his view of assessment methodology. Mr Clark told the committee that:

- widespread knowledge of the provider within the relevant industry should have been included in the assessment criteria<sup>188</sup>

<sup>186</sup> Evidence, Ms Kearns, 18 September 2015, pp 27-28.

<sup>187</sup> Evidence, Mr Collins, 22 September 2015, p 9.

<sup>188</sup> Evidence, Mr Philip Clark AM, Chair, NSW Skills Board, 9 November 2015, p 7.

- not enough account was taken of a provider's history, with State Training Services 'more interested in sort of number scoring each provider'.<sup>189</sup>

4.22 Overall, he commented that 'there was so much concern about the process being correct, objective and proper that [State Training Services] lost sight of the big picture'.<sup>190</sup>

#### **Insufficient communication about outcomes of the application process**

4.23 Another theme that emerged from the evidence of several training providers was around poor feedback and communication concerning about the outcomes of the application process, despite the feedback and complaints processes put in place by State Training Services. Somewhat surprisingly, these concerns came not only from training providers who had been unsuccessful their applications, but also from some who received contracts.

4.24 Mrs MacKinnon expressed the 'enormous disappointment' she felt at being told that the school had been unsuccessful in applying for funding to provide school-based apprenticeships. She described to the committee the 'unpleasant' manner in which that decision was communicated, and what happened next:

We initially got the email with the feedback. That was a very unpleasant format for receiving the feedback. ... If you tried to ring State Training Services to get any further response on that email, they were instructed not to speak to anybody over the phone. ... We then had to make an appointment to go and meet some people from State Training. ... We went and met with them. Basically they said to us, "You did not tick all the boxes that were required in the online format so there is no possible recourse for you, unless you want to make an appeal based on the grounds of unfairness." We did feel that we had been treated unfairly in the application process. We did put in an appeal but it took a long time to get a response to that. Then they finally wrote back to us via email and said that the appeal was unsuccessful.<sup>191</sup>

4.25 Another stakeholder who expressed great frustration at his interactions with State Training Services was Mr Steven Long, Chief Executive Officer of All Automotive Training Services, a private registered training organisation. His experience is detailed in the following case study.

<sup>189</sup> Evidence, Mr Clark, 9 November 2015, p 12.

<sup>190</sup> Evidence, Mr Clark, 9 November 2015, p 12.

<sup>191</sup> Evidence, Mrs MacKinnon, 23 September 2015, p 3.

**Case study: All Automotive Training Services**

Having been unsuccessful in obtaining Smart and Skilled funding, Mr Long told the committee he emailed 'back and forth for a 12 month period' in order to secure a meeting with State Training Services to discuss his concerns.

After eventually attending the meeting on 17 August 2015, Mr Long was told that his application would be re-assessed within three weeks. Having heard nothing from State Training Services three and a half weeks later, Mr Long followed up, and was told that he would receive a response by the end of the week. He did not receive any communication that week. After following up again early the following week, he was informed that State Training Services would not be changing its decision.<sup>192</sup>

- 4.26** The committee heard further evidence on the poor communication regarding the application outcomes from Mr Redman. He told the committee he had no idea why his organisation was successful in obtaining Smart and Skilled funding for only some qualifications in some of the regions in which they applied, stating: 'we do not know why we did not get selected for our full range of qualifications in the regions that we applied for. We still do not have that information as of today'.<sup>193</sup>
- 4.27** While acknowledging the frustration felt by many private training providers, Mr Camm from the Australian Council for Private Education and Training acknowledged that State Training Services attended a range of provider forums held by the Australian Council for Private Education and Training following the initial contract allocation round. He remarked that State Training Services was 'quite prepared to stand in front of groups of providers, and those were not always easy discussions for them to have'.<sup>194</sup>
- 4.28** As discussed in chapter 3, since the initial allocation in January 2015, State Training Services has:
- awarded a number of additional contracts to providers that had met the necessary quality benchmarks but that had been unsuccessful in the initial funding round due to budget constraints
  - increased small regional caps for some providers.
- 4.29** As with the initial contract round, the committee heard from several training providers who noted the lack of communication around the awarding of these additional contracts or caps – the funding simply 'turned up'.<sup>195</sup> For example, having been unsuccessful in the initial round, Ms Kearns stated that International Child Care College had recently 'simply got an email saying, "Here is your allocation." We were not given any reason'.<sup>196</sup>

<sup>192</sup> Submission 121a, All Automotive Training Services Pty Ltd, pp 3-4.

<sup>193</sup> Evidence, Mr Redman, 22 September 2015, p 54.

<sup>194</sup> Evidence, Mr Camm, 22 September 2015, p 54.

<sup>195</sup> Evidence, Ms Amanda Calwell-Smith, Chief Executive Officer, Essentra Personnel and Training and Essentra Training and Employment, 12 October 2015, p 21.

<sup>196</sup> Evidence, Ms Kearns, 18 September 2015, p 28.

**4.30** Similarly, Ms Tania Tsiamis, General Manager of IRT College, also remarked on the lack of explanation around receiving additional funding, commenting that her organisation was, as a result, now ‘in a race to try to get people signed up ... It is not a quick turnaround. It is not just flicking a switch’.<sup>197</sup>

## Review of the process

**4.31** As noted in chapter 3, the NSW Skills Board is currently overseeing a review of the first year of Smart and Skilled being conducted by the Nous Group.

**4.32** The objectives for stage one of the review, due to be completed by October 2015, are to assess and report on:

- the effectiveness of the Smart and Skilled provider application and administrative processes, including options for enhancement
- the adequacy of the Smart and Skilled provider application and assessment process with regard to provider experience, industry and regional connections and resources to connect graduates to jobs
- the preparedness and responsiveness of providers, including their communication with and support for students.<sup>198</sup>

**4.33** Mr Clark told the committee the NSW Skills Board would consider the review’s recommendations at a meeting in the week commencing 9 November 2015, and would forward advice to the Minister and the New South Wales Government after that.<sup>199</sup>

## Committee comment

**4.34** In essence, Smart and Skilled is about allowing private training providers to compete with TAFE NSW for government funding. Critical to the success of the reform was setting up a well-run and transparent process by which providers could apply for that funding. The committee is of the view that the inadequacies outlined in this chapter have made the process more difficult for providers than it should have been.

**4.35** It is disappointing that so many providers told us they were left in the dark as to the methodology used to assess which training providers would be successful. This has undermined providers’ trust in the integrity of the process. To work well, it is not enough to have in place a fair process – it must also be *seen* to be fair. Transparency is a vital part of this.

**4.36** The committee is also troubled by the apparent inadequacies in the assessment methodology itself. The focus appears to have been on providers’ numerical scores against a set of standard pro-forma questions or criteria, rather than on giving providers an opportunity to provide qualitative information. In addition, the criteria and algorithm used were imperfect, with providers’ strong standing within their industry ignored, and some apparently worthy

<sup>197</sup> Evidence, Ms Tania Tsiamis, General Manager, IRT College, 12 October 2015, p 22.

<sup>198</sup> NSW Skills Board, Terms of Reference, *First Year Review of Smart and Skilled*, p 1.

<sup>199</sup> Evidence, Mr Clark, 9 November 2015, p 3.

providers missing out. It seems absurd that providers like International Child Care College, with a proven track record of the highest level of accreditation by the Australian Skills Quality Authority, didn't get a look in. As is the case in the hospital system, we should be taking into account a provider's accreditation level in assessing whether they should get government funding.

**4.37** We agree with the view expressed by Mr Clark, Chair of the NSW Skills Board, that State Training Services was so concerned about process being correct and above board, that they lost sight of the big picture.

**4.38** Finally, the process was not helped by the feedback and complaints process put in place by State Training Services. Providers understandably expressed frustration at what they felt was a slow, impersonal and unresponsive approach. On the other hand, it is important to recognise that some 750 different providers applied for Smart and Skilled funding. It is perhaps not reasonable to expect that State Training Services staff should have met with each provider and given individualised feedback within a short timeframe.

**4.39** This is not to say that State Training Services could not have communicated better and responded more to providers' needs. Going forward, the committee recommends that a dedicated phone line be established for providers to ask questions and receive feedback on the provider application process.

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### **Recommendation 7**

That the NSW Government improve the Smart and Skilled provider application process by:

- enabling applicants to provide more qualitative information
  - including industry standing and Australian Skills Quality Authority accreditation track record as part of the criteria used to assess providers
  - making public the methodology used to assess providers
  - establishing a phone line for providers to ask questions and receive feedback on the provider application process.
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## Chapter 5 Vocational education and training in regional, rural and remote areas

The theme of this chapter is the challenges and opportunities posed by delivering vocational education and training to regional, rural and remote communities. A key focus is the impact of Smart and Skilled, including the issue of ‘thin markets’ in the context of the shift to a contestable training market. The chapter also briefly considers some long-standing challenges and new opportunities that exist for regional, rural and remote communities, focusing on the areas of students’ transport to and from training, and how technology assists in delivering training.

### Impact of Smart and Skilled on regional, rural and remote areas

**5.1** A consistent theme to emerge from the evidence of stakeholders based in regional, rural and remote areas was the critical role that TAFE NSW plays, both in delivering vocational education and training to students, and as part of the community more broadly. Some typical comments from these stakeholders are set out below.

- ‘TAFE is the social capital of our communities’<sup>200</sup> – from a member of the Executive Committee of TAFE Western, an institute which covers more than half of the state of New South Wales, including large regional centres as well as small remote communities.
- ‘[E]ducating mature students and school leavers has been a very important part of our community’s wellbeing ... Our town needs a TAFE’<sup>201</sup> – from a mature-age TAFE student from Glen Innes, a small rural town in the New England area of New South Wales.
- ‘Beyond the provision of training, TAFE colleges also contribute enormously in other ways to the development and the life of the local community, particularly in rural and regional areas’<sup>202</sup> – from a community resource network in the Blue Mountains, a large regional community west of Sydney.
- ‘TAFE campuses [are] places where Aboriginal people actually want to go to and that is creating a culturally safe environment where their culture is actually recognised and valued’<sup>203</sup> – from the President of the Aboriginal education advocacy group, speaking about the efforts of TAFE campuses across the state, including in many regional, rural and remote areas.

### The problem of thin markets

**5.2** The committee heard that many regional, rural and remote areas can be described as ‘thin markets’ because of:

<sup>200</sup> Committee site visit to TAFE NSW Western Institute Dubbo campus, 3 November 2015.

<sup>201</sup> Submission 3, Ms Carol Sparks, p 2.

<sup>202</sup> Submission 137, Mountains Community Resource Network, p 4.

<sup>203</sup> Evidence, Ms Cindy Berwick, President, NSW Aboriginal Education Consultative Group, 23 September 201 pp 83-84.

... additional costs associated with maintenance of dispersed campuses, staff travel between campuses, high proportions of student fee exemptions and concessions and limited scope to offset costs with international student fees or service revenue streams.<sup>204</sup>

**5.3** According to the government's definition, in the context of a contestable training market a 'thin' market is one 'where at least 1 RTO has the capacity to provide the training, but none are willing to do so for the base price and other applicable funding'.<sup>205</sup> The fact that TAFE NSW plays such a critical role in regional, rural and remote areas is a reflection of 'thin markets', because TAFE is often the only provider delivering vocational education and training.

**5.4** The committee heard extensive evidence from numerous stakeholders about the problem of thin markets for regional, rural and remote areas. Comments from some of these stakeholders are included below.

- 'The bigger dynamic here, if we are talking about a market system, is the fact that we are looking at a regional labour market that does not have the same economy of scale or market of scale as Sydney and other areas. ... The biggest concern is that even if you were to accept that a market system may work to some degree in Sydney, Melbourne or Brisbane—the capital cities—when you get into the regional areas where you get a smaller and smaller base, you get a critical mass of students required to front classes, to run those classes, and that is where you get ... the biggest problem with the market system'.<sup>206</sup>
- 'In thin markets, such as the South Coast ... we find that often getting private providers to the region is very difficult. It comes down to a straight out budget requirement on whether there are enough students in the region to provide a course, which I know is the same with some of the TAFEs'.<sup>207</sup>
- 'Because of the issue of thin markets, it is not viable to get other commercial providers operating in that space. Those TAFE assets need to be protected or supported in order to encourage students to come along, the barriers to each industry need to be reduced because those are the workers who, once they come in from a rural, remote Aboriginal background they tend to stay because they are in their community'.<sup>208</sup>
- 'Smart and Skilled is based on a market approach to the delivery of training. This may be appropriate where there is a critical mass of students and RTOs, such as in metropolitan areas. However, in regional areas such as Muswellbrook, where there are few providers, the ability of the market to determine what skills are delivered is subject entirely to the cost of delivery and this is likely to result in market failure, which will severely limit the offerings available to prospective students. Where in the past training

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<sup>204</sup> Submission 234, Community Services and Health Industry Skills Council, p 6.

<sup>205</sup> Correspondence from Mr Hugo Harmstorf, Chief Executive Officer, Independent Pricing and Regulatory Tribunal, to Chair, 16 November 2015, p 5.

<sup>206</sup> Evidence, Mr Arthur Rorris, Secretary, South Coast Labour Council, 12 October 2015, p 35.

<sup>207</sup> Evidence, Mr John Lamont, Managing Director, Nowra Chemical Manufacturers Pty Limited, 12 October 2015, p 20.

<sup>208</sup> Evidence, Mr Brendan Goodger, Policy and Research Manager, Community Services and Health Industry Skills Council, 23 September 2015, pp 37-38.

delivery in rural and regional areas was based on industry and community need a market based approach means many courses are not being delivered due to class numbers not meeting unachievable financial benchmarks. This also likely to result in perverse skill outcomes where students enrol in a course simply because it is available and rural and regional communities end up with people qualified in limited trades'.<sup>209</sup>

### Policy responses under Smart and Skilled

**5.5** Under Smart and Skilled, there are two key mechanisms designed to take into account the higher costs of providing vocational education and training in regional, rural and remote areas. The first is a loading, similar to the disability loading discussed in chapter 3. Training providers receive a 10 per cent loading in the case of regional areas, and a 20 per cent loading in the case of rural areas, on top of the base qualification price to help meet the higher costs of providing training in these areas.<sup>210</sup>

**5.6** In addition, based on IPART's advice, the NSW Government recognises that in regional, rural and remote areas, adding the regional/rural loadings to the qualification price may still not be sufficient to fund providers for the costs of delivering the training.<sup>211</sup> In response, the NSW Government funds TAFE directly for thin markets under the Community Service Obligation funding stream. This is in recognition of the fact that TAFE NSW is in many cases the only provider capable of delivering training to regional, rural and remote areas.<sup>212</sup>

**5.7** In his evidence to the committee, the Hon John Barilaro MP, Minister for Skills, stated that:

For many in regional communities we do not want to see this net migration of young people away from our communities. For the growth of regional New South Wales, we need to make sure young people stay but to do so we need pathways so that they can grow, so they can learn and get employed. ... We need a mix of providers but TAFE is an important component of that and will always be. Of course, that is why there is that community service obligation attached to TAFE.<sup>213</sup>

**5.8** In addition, Minister Barilaro recently announced an additional \$8 million in funding to help young people in regional areas with tailored support to stay connected with education or find sustainable employment. The Minister advised the committee that:

The Government has committed \$8 million over four years to provide viable pathways into education, training and/or work for disengaged young people in regional areas with high levels of youth unemployment and limited support services. Disengaged young people will be identified by schools, TAFE NSW Institutes, Family and Community Services, and Juvenile Justice centres around the state. Local community organisations may also serve as referral points.

<sup>209</sup> Submission 233, Muswellbrook Shire Council, p 2.

<sup>210</sup> Presentation entitled 'Smart and Skilled' by Mr David Collins, Executive Director, Market Quality and Operations, NSW Department of Industry, dated 10 September 2015, p 6.

<sup>211</sup> Correspondence from Mr Harmstorf to Chair, 16 November 2015, p 5.

<sup>212</sup> NSW Government, *Statement of Owner Expectations – TAFE NSW*, August 2013, p 2.

<sup>213</sup> Evidence, Hon John Barilaro MP, Minister for Skills, 22 September 2015, p 36.

Under the program, non-government organisations that already have strong local networks will be contracted to provide career mentoring support, work experience, career transition planning and broker employment pathways linked to training including apprenticeships and traineeships.

The program will support 1,000 young people in five regional areas with high rates of youth unemployment. Implementation planning, stakeholder consultations and the tender process will be completed by December 2015.<sup>214</sup>

### Concerns about policy responses in off-setting the impact of Smart and Skilled

**5.9** The committee heard a significant volume of evidence about the adverse impacts that Smart and Skilled has had on regional, rural and remote TAFE campuses, despite the policy responses outlined above. Numerous stakeholders expressed the view that the loadings and Community Service Obligation funding arrangements have not been sufficient to meet TAFE's funding needs in delivering vocational education and training in these areas.

**5.10** One key area where the insufficient funding has been felt is in the reduction of courses offered by regional, rural and remote TAFE campuses. Comments from various inquiry participants included:

- 'I have a family member, a young person, with special needs. He previously had to travel from Griffith to Wagga Wagga but now has to travel to Albury finish his chef apprenticeship. TAFE used to be able to provide something as basic as hospitality and commercial cookery courses at colleges where there was the infrastructure to do that. There is still the infrastructure to do that; there are just not the teachers'<sup>215</sup>
- 'The difference is the breadth of what we offer, and that is another thing that has been knocked for six by Smart and Skilled. Last year I offered 20 different qualifications to our community. ... This year I have seven qualifications'<sup>216</sup>
- 'The introduction of Smart and Skilled ... has had a negative impact on TAFE especially in small communities. Previously TAFE has been able to target training to the needs of the community. However now many of the courses offered are aimed at the higher qualification jobs rather than targeted at the job opportunities of the local community'<sup>217</sup>
- 'As I live in a rural area I am aware of the loss of courses due to the closure of small colleges and TAFE annexes. This will result in a loss of ability to access further education for many rural students which, in turn, will impact adversely on the economic future of regional NSW and add to the high levels of youth unemployment'.<sup>218</sup>

<sup>214</sup> Answers to questions on notice, Hon John Barilaro MP, Minister for Skills, 21 October 2015, pp 2-3.

<sup>215</sup> Evidence, Ms Maxine Sharkey, Assistant General Secretary, New South Wales Teachers Federation, 22 September 2015, p 47.

<sup>216</sup> Evidence, Ms Liz Henigan, Head Teacher, Community Services, Human Services, Tourism and Hospitality, TAFE NSW Illawarra Institute, 12 October 2015, p 14.

<sup>217</sup> Submission 94, Mrs Shirley Moore, p 2.

<sup>218</sup> Submission 175, Mrs Wendy White, p 2.

- 5.11** The committee also heard that regional class sizes may have increased since the introduction of Smart and Skilled,<sup>219</sup> and that some regions have seen a significant drop in enrolments, for example, the Upper Hunter region, according to Muswellbrook Shire Council:

In the Upper Hunter we are already seeing a significant drop in enrolments in vocational education and with only one significant Regional Training Organisation (“RTO”) in the area and long travel distances to a metropolitan area, and with no public transport between education facilities, the early conclusion is students are choosing not to study which is a worrying trend.<sup>220</sup>

- 5.12** More generally, Manufacturing Skills Australia, the national industry skills council advising the Australian Government on the skills needs of manufacturing enterprises, highlighted the decline in the number of students undertaking government-subsidised courses in regional and remote areas:

Between 2011 and 2014, the number of students undertaking publicly funded courses in New South Wales decreased by 3.7%. In almost all regional areas the numbers have fallen by more than the state average (4.3% in inner regional areas to 7.9% in very remote areas). This may be reflective of the impact of the Smart and Skilled reforms are having on student choice outside of the metropolitan areas.<sup>221</sup>

### **Importance of adequate funding for vocational education and training**

- 5.13** A number of industry stakeholders commented on the critical importance of maintaining adequate funding for vocational education and training to be delivered in regional, rural and remote communities, so that these communities can have a strong and sustainable economic future. For example, the submission by the Australian Industry Group, the peak industry association in Australia, stated:

It is important then that we maintain a strong VET capacity to service regional and remote areas to provide young people with training opportunities either to meet local needs, or more importantly provide them with the skills required in strong growth regions. What we need to avoid is training for training’s sake. We need to be able to effectively assist people in remote regions to either meet local needs, or as is more often the case, train them to meet the occupations for future growth and provide assistance to move/travel to where that growth exists.<sup>222</sup>

- 5.14** Similarly, Mr John Lamont, Managing Director of Nowra Chemical Manufacturers Pty, an employer in the South Coast area, stressed the impact on people living in regional communities if vocational education and training is not adequately funded:

Access to this training in regional areas is critical as many students cannot afford to leave regional areas and set up in our high-cost cities during their younger years of training. Education and training will enhance our rural communities. Failure to

<sup>219</sup> Evidence, Ms Janet Roden, Professional Officer, NSW Nurses and Midwives' Association, 12 October 2015, p 39.

<sup>220</sup> Submission 233, Muswellbrook Shire Council, p 2.

<sup>221</sup> Submission 196, Manufacturing Skills Australia, p 5.

<sup>222</sup> Submission 186, Australian Industry Group, p 12.

provide this availability to education will create a new lower socio-economic class of citizens in our community.<sup>223</sup>

**5.15** Further, Manufacturing Skills Australia highlighted the potential consequences of insufficient vocational education and training funding for local businesses, and ultimately for the long-term sustainability of regional and rural communities:

Because the public provider, prior to the introduction of contestable funding, was able to offset the costs associated with the provision of services in unprofitable areas such as rural and remote communities and thin markets, it has been seen as vital to the ongoing survival of such communities, allowing young people to transition from school to post-school education within their own communities and providing local employers with work ready graduates. The discontinuation of many services and programs in rural and remote areas because they are no longer financially viable will have a huge impact in these areas, with a resulting drift of young people away from their communities as they seek to access post-school education opportunities. Because the provision of these services are seen by private providers as being financially unviable (due to cost and distance), they are not willing to 'step into the gap' and provide them. This could see many businesses in these communities close as they are no longer able to source employees with the required skills and knowledge.<sup>224</sup>

**5.16** In order to ensure that TAFE NSW is able to continue to service these thin markets, the committee was told that additional funding, on top of what is currently provided by the government via the loadings and Community Service Obligation funding, is required. For example, the committee heard evidence that:

- 'In thin markets, such as the South Coast, additional money is required to make sure that the cost of covering TAFE courses is available. Significant time and travel are involved in the delivery of the courses and under the current system this is just not viable'<sup>225</sup>
- 'Vocational education training generally in rural and regional areas will fail under a market system. What is required in the Upper Hunter is an adequately subsidised vocational education system and a TAFE supported by the State Government to ensure that training is delivered to meet the needs of community and industry'<sup>226</sup>
- 'Better mechanisms for calculating the additional costs associated with regional and remote provision and for allocating the appropriate Government funding are required'.<sup>227</sup>

**5.17** In response to the committee's questions about the pricing methodology for thin markets that IPART recommended to the government, IPART noted that its recommendations included an annual market testing process to identify thin markets, and to decide whether and how much additional funding will be provided to allow these markets to be serviced. In making this decision, IPART recommended that the government:

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<sup>223</sup> Evidence, Mr Lamont, 12 October 2015, p 20.

<sup>224</sup> Submission 196, Manufacturing Skills Australia, p 7.

<sup>225</sup> Evidence, Mr Lamont, 12 October 2015, p 20.

<sup>226</sup> Submission 233, Muswellbrook Shire Council, p 2.

<sup>227</sup> Submission 234, Community Services and Health Industry Skills Council, p 6.

... consult with industry, RTOs and the community and take account of factors such as the alternative training options available, the likely cost of training relative to the total budget for CSOs in thin markets and the benefits the training will provide.<sup>228</sup>

## Challenges and opportunities in transport and technology

**5.18** In the course of its site visits and public hearings in northern, southern and western regions of New South Wales, the committee heard about the two key areas of challenge and opportunity for these communities in accessing vocational education and training: transport and technology.

**5.19** The first is the barrier that transport plays for many students in getting to and from training. During its site visit to the TAFE NSW campus in Belmont, a regional suburb of the Hunter region, the committee held an informal meeting with local TAFE teachers and students. A significant proportion of students noted that the major barrier affecting their ability to access vocational education and training is the difficulty and expense involved in getting to TAFE, especially without a car.<sup>229</sup>

**5.20** This was reflected in evidence the committee heard in Nowra, on the state's South Coast. Mr Lamont told the committee that:

Access is very poor in the region. All TAFE students need to travel outside their workplace. There is an inherent risk in travelling from Batemans Bay to Ulladulla or vice versa to take up a particular course. They need a car. Public transport is unreliable and inefficient in the region. Students should be able to travel the shortest distance to the local TAFE to do courses.<sup>230</sup>

**5.21** Further, the committee heard from Mr Mark Jewell, a Disability Consultant at TAFE NSW North Coast Institute, that even where public transport is available, the costs associated with it can be prohibitive, and that eligibility for transport subsidies is limited. Mr Jewell said:

I had a student drop out this week because of transport costs. Coming to Wollongbar is quite expensive, and because a lot of the trade areas are taught here they need to get here but it is expensive. We have students sometimes who have to make the decision between catching a bus and eating. There will be times when part of our programs are giving them breakfast so you know they can come up and actually eat. There is an issue that was raised by one of the administration staff with me that basically said that students under the age of 18 have to be doing 20 hours a week to obtain free bus travel. Because of the Smart and Skilled funding we do not have many courses that run 20 hours. We cannot afford to; they are discounted down to much lower hours. So the students are ineligible to get transport subsidies. There is quite a lot of evidence that those are major barriers to participating.<sup>231</sup>

<sup>228</sup> Correspondence from Mr Harmstorf to Chair, 16 November 2015, pp 5-6.

<sup>229</sup> Committee site visit to TAFE NSW Hunter Institute, Belmont campus, 18 November 2015.

<sup>230</sup> Evidence, Mr Lamont, 12 October 2015, p 21.

<sup>231</sup> Evidence, Mr Mark Jewell, Disability Consultant, TAFE NSW North Coast Institute, 11 September 2015, p 6.

- 5.22** The second theme to emerge from the evidence concerning challenges and opportunities in regional, rural and remote areas is the role technology can play in delivering innovative training to students living there. For example, the Community Services and Health Industry Skills Council, which advises the Australian Government on the skill needs of the community services and health industry, noted in its submission that, in addition to having physical campuses located in regional and rural areas, TAFE also operates mobile and e-learning facilities to aid regional and remote student participation.<sup>232</sup>
- 5.23** The committee heard about some of these facilities during its visit to the Dubbo campus of TAFE Western Institute.<sup>233</sup> For example, as part of its Western Connect program, the institute delivers training through:
- web-conferencing, which allows students not located near a TAFE campus to attend scheduled training sessions remotely
  - ‘connected classrooms’, which enables students located near a TAFE campus to attend and participate in scheduled video conference classes with teachers and students in other areas.<sup>234</sup>
- 5.24** The TAFE Western Connect program also encompasses mobile delivery units, which allow specialised training equipment to be taken to different locations so that students can access face-to-face training in their own communities on scheduled training days. Examples of the mobile units include a heavy vehicle driving simulator, welding trailer, barista coffee cart, health services trailer and a carpentry trailer.<sup>235</sup>
- 5.25** In response to the challenge of assessing students living in remote areas, the committee was shown innovative ‘assessment goggles’ during its site visit to the Wollongbar campus of TAFE NSW North Coast Institute. These are essentially goggles with a built-in camera for the student to wear during practical assessment, allowing teachers to remotely assess the student’s competency in practical tasks. Ms Lindy Kemp, Director, TAFE Services, TAFE NSW North Coast Institute, told the committee that:

So fundamentally, the thing that those goggles provide us, or a range of different kinds of technology provide us, is the capacity to provide the learning and the assessment activity in the workplace or off campus in the location of the particular learner. So that has been a challenge. Ten years ago everybody had to actually come to Lismore. There are a lot of very isolated communities around here. So goggles are one of the ways that we might provide increased capacity for a student to show us what they can do, particularly in a practical way. But there are all sorts of other ways that we are ensuring that those kinds of more isolated people would get access.<sup>236</sup>

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<sup>232</sup> Submission 234, Community Services and Health Industry Skills Council, p 5.

<sup>233</sup> Committee site visit to TAFE Western Institute Dubbo campus, 3 November 2015.

<sup>234</sup> TAFE NSW Western Institute, *TAFE Western Connect Study Options*, <http://www.tafewestern.edu.au/studying-at-tafe/tafe-western-connect/study-options>.

<sup>235</sup> TAFE NSW Western Institute, *TAFE Western Connect Mobile Units*, <http://www.tafewestern.edu.au/studying-at-tafe/tafe-western-connect/study-options/mobile-units>.

<sup>236</sup> Evidence, Ms Lindy Kemp, Director, TAFE Services, TAFE NSW North Coast Institute, 11 September 2015, p 33.

## Committee comment

- 5.26** Maintaining delivery of vocational education and training in regional, rural and remote areas is critical to securing the long-term sustainability of these communities. As one inquiry participant commented, providing quality training to young people in place allows them to transition from school to post-school education within their own communities and provides local employers with work ready graduates. This strengthens the social fabric of these communities and our state as a whole.
- 5.27** The committee received compelling evidence that the contestable training market under Smart and Skilled is not working for regional, rural and remote communities. The mechanisms the government has introduced to offset the impact of contestability in these ‘thin markets’ have been insufficient.
- 5.28** While the regional and remote loadings may go some way to assisting non-TAFE providers to meet the additional costs of delivering training in thin markets, realistically TAFE NSW will always be the main player, and in some cases the only player, offering vocational education and training in these areas. Community Service Obligation funding, which is currently non-contestable and goes directly to TAFE NSW, is therefore critical in ensuring that this important service can continue to be delivered to students.
- 5.29** As discussed in chapter 2, the committee has concluded that there should be no cap or ceiling on the overall amount of funding that is contestable. However, the challenge of delivering training in regional, rural and remote areas means that there must be an exception made in the case of thin markets.
- 5.30** Accordingly, the committee believes that the government should modify the funding arrangements under Smart and Skilled to limit contestability for regional, rural and remote areas. This could be done by placing a cap on the level of contestable funding available in areas deemed to be thin markets, and by allocating the relevant TAFE institutes additional Community Service Obligation funding.
- 5.31** An annual review to identify thin markets and decide on funding needs, involving consultation with industry, providers and the community – as recommended by IPART – would provide a good mechanism for the government to gather the necessary information to implement such an arrangement.

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### Recommendation 8

That the NSW Government modify the Smart and Skilled funding arrangements to limit contestability for regional, rural and remote areas by:

- considering placing a cap on the level of contestable funding for areas deemed to be thin markets
  - considering allocating additional Community Service Obligation funding to TAFE NSW institutes operating in thin markets
  - conducting an annual review to identify thin markets and decide on funding needs, involving consultation with industry, training providers and the community.
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- 5.32** The committee recognises the challenge that transport plays for students wanting to access training in regional, rural and remote communities. This barrier is even greater in areas of socio-economic disadvantage, as demonstrated by the students from Belmont, who experience access issues despite living just outside of one of the biggest metropolitan centres in the state.
- 5.33** In trying to meet these accessibility challenges, the committee commends the TAFE NSW Western Institute for embracing innovative technologies and delivery methods to ensure that training can be brought to as many students as possible. In particular, we are impressed by the ability to bring face-to-face delivery to isolated areas, to complement innovative online delivery models. This is clearly part of the answer going forward.

## Chapter 6      **Impact of Smart and Skilled on TAFE NSW**

This chapter focuses on the impact that Smart and Skilled has had on TAFE NSW, the state's public vocational education and training provider and the largest provider in Australia. It examines some of the adverse impacts identified by stakeholders, and then outlines the strategies and opportunities for TAFE in the new environment.

### **TAFE funding under Smart and Skilled**

**6.1**      The introduction of Smart and Skilled on 1 January 2015 has clearly resulted in profound changes to TAFE NSW's policy and funding environment, as acknowledged by Managing Director Ms Pam Christie in her evidence to the committee.<sup>237</sup> One of the stated key policy objectives of Smart and Skilled is to ensure that TAFE NSW becomes more competitive to remain a strong and viable public provider in the contestable market.<sup>238</sup>

#### **Types of TAFE funding**

**6.2**      In this new environment, TAFE NSW now receives two types of funding from the NSW Government.

- Contestable funding, for which TAFE NSW competes with approved private training providers under contractual arrangements with State Training Services. As outlined in chapter 2, this funds students' entitlement to government subsidised training up to Certificate III with an approved provider of their choice.
- Non-contestable funding, or funding allocations that go directly to TAFE NSW. These include Operational Base Funding, Community Service Obligation funding and funding for directly purchased services.

**6.3**      The NSW Government's *Statement of Owner Expectations – TAFE NSW* describes the scope and purpose of TAFE's direct funding allocations as follows:

- Operational Base Funding, in recognition of the fact that as the public provider, TAFE NSW faces additional costs that are not faced by other training providers. These costs include salary costs resulting from public sector-specific enterprise agreements, costs incurred as a result of complying with public sector reporting requirements, and costs of maintaining assets that are required to be kept under heritage agreements. Operational Base Funding is reviewed over time and adjusted to reflect changes in circumstances.
- Community Service Obligation funding, which is intended as a response to market failures which cannot be addressed sufficiently in a competitive market and where there is a clear government directive to address this failure. This funding covers activities that cannot be delivered through the government's subsidised training price, such as

<sup>237</sup> Evidence, Ms Pam Christie, Managing Director, TAFE NSW, 22 September 2015, p 14.

<sup>238</sup> New South Wales Auditor-General's Report, *Performance Audit: Vocational Education and Training Reform*, 29 January 2015, p 13.

providing support for students with a disability who have specific high cost needs, and providing 'wrap around' support services, such as pre-training support, counselling, and career support services. Community Service Obligation funding may become contestable over time.

- Funding for directly purchased services, that is, full qualifications from Certificate IV to Advanced Diploma under the Targeted Priorities program. TAFE NSW also continues to receive direct funding for school-equivalent education services and for school students who also study at TAFE. This will continue as a separate funding stream.<sup>239</sup>

### **Amount and breakdown of TAFE funding**

**6.4** Since the introduction of Smart and Skilled, TAFE has moved from a situation where it receives all of its funding directly from the NSW Government and student fees and charges, to a situation where TAFE has to compete for some of its public funding with private providers. Given that the total amount of government funding for vocational education and training has remained about the same, TAFE funding has in effect been reduced because some of the contestable funding now goes to private providers.

**6.5** As the Auditor-General has stated, in order to ensure the budget neutrality of the Smart and Skilled reforms, the contestable portion of the state's vocational education and training budget was funded by reallocating some of TAFE's direct funding.<sup>240</sup>

**6.6** Throughout this inquiry, there has been substantial conjecture as to the impact of Smart and Skilled on TAFE's overall budget: how much less money does it have since the shift to a contestable training market? Another question raised in the inquiry is the amount of direct funding to TAFE, comprising Operational Base Funding, Community Service Obligation funding, and funding for directly purchased services.

**6.7** On the issue of the total amount of direct funding to TAFE, the Hon John Barilaro MP, Minister for Skills, advised the committee that:

If you look at the TAFE budget historically, from 2007 to today, the amount in direct grants from Government is about \$1.3 billion. It has stayed within that ballpark over that time.<sup>241</sup>

**6.8** The committee put questions regarding the breakdown of the direct funding allocations to the Managing Director of TAFE NSW, Ms Pam Christie, during its public hearings. Ms Christie told the committee she did 'not have the breakdown in front of me',<sup>242</sup> and offered to provide answers on notice. Ms Christie's answer was as follows:

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<sup>239</sup> NSW Government, *Statement of Owner Expectations – TAFE NSW*, August 2013, pp 7-8.

<sup>240</sup> New South Wales Auditor-General's Report, *Performance Audit: Vocational Education and Training Reform*, 29 January 2015, p 17.

<sup>241</sup> Evidence, Hon John Barilaro MP, Minister for Skills, 22 September 2015, p 28.

<sup>242</sup> Evidence, Ms Christie, 22 September 2015, p 20.

Operational Base Funding and Community Service Obligation Funding are included as part of the recurrent cluster grant. Fees received from student fees are listed under revenue in the financial statements in the Budget Papers.<sup>243</sup>

6.9 Also on this issue, in response to supplementary questions the Minister advised the committee that '[t]he system of apportioning TAFE allocations across the categories is rudimentary'.<sup>244</sup> He noted that:

- Operational Base Funding is 'calculated by TAFE NSW using internal and publicly available data and applying averages to the TAFE NSW salary budget'
- 'there is no specific formula that ties [Community Service Obligation funding] to specific services provided'.<sup>245</sup>

6.10 The committee then wrote to Minister Barilaro seeking further information on the breakdown of TAFE NSW revenues. The Minister's response was that 'Operational base funding, community service obligation funding and funding for directly purchased services are part of the block grant provided to TAFE NSW'.<sup>246</sup>

6.11 Accordingly, the committee is still unclear as to the amount of TAFE's direct funding allocation, and the breakdown into the three separate streams.

### **Use of the Community Service Obligation funding**

6.12 Aside from questions around the amount of Community Service Obligation funding given to TAFE NSW, the committee attempted to understand exactly what the Community Service Obligation funding is used for.

6.13 The committee heard evidence about the general lack of transparency and consistency with regard to the use of this funding stream. For example, Ms Lorraine Watson, Teacher Consultant, TAFE NSW Illawarra Institute, commented that 'there appears to be no consistency in the way that CSO funding is being used by TAFE institutes resulting in what appears to be a very discretionary use of such resources'.<sup>247</sup>

6.14 This lack of transparency was reflected in the NSW Auditor-General's report published in January 2015 entitled *Performance Audit: Vocational Education and Training Reform*. That report concluded that '[t]he budget for this direct funding is not subject to clear purchaser oversight, nor is it clear how long it will continue or what TAFE will deliver for it'.<sup>248</sup> The Auditor-General recommended that by April 2015, the department should finalise accountability

<sup>243</sup> Answers to questions on notice, Ms Pam Christie, Managing Director, TAFE NSW, 21 October 2015, p 12.

<sup>244</sup> Answers to questions on notice, Hon John Barilaro MP, Minister for Skills, 21 October 2015, p 9.

<sup>245</sup> Answers to questions on notice, Mr Barilaro, pp 8, 9.

<sup>246</sup> Correspondence from Hon John Barilaro MP, Minister for Skills, to Chair, 19 November 2015, p 1.

<sup>247</sup> Submission 268, Ms Lorraine Watson, p 8.

<sup>248</sup> New South Wales Auditor-General's Report, *Performance Audit: Vocational Education and Training Reform*, 29 January 2015, p 3.

arrangements for TAFE's non-contestable funding and specify what it expects each TAFE institute to provide and report on for its direct funding.<sup>249</sup>

**6.15** The Minister advised the committee that a memorandum of understanding between the former Department of Education and Communities and TAFE NSW regarding the accountability arrangements for the direct funding allocations was entered into on 1 June 2015. No further information about the terms of the agreement was provided.<sup>250</sup>

**6.16** The Minister also advised the committee that:

Creating a methodology to the specific services for CSO payments is a reform priority for the Government. Work has commenced to move to a model where payments for community service obligations are explicit to activities and training delivered with transparent reporting on the cost of delivering community service obligations.<sup>251</sup>

**6.17** In its Smart and Skilled pricing recommendations to the government, IPART recommended that Community Service Obligation funding should be made contestable within three years to ensure that the government obtains value for money.<sup>252</sup>

## **Concerns about the adverse impacts of Smart and Skilled on TAFE**

**6.18** A large number of stakeholders connected with TAFE NSW told the committee that they are extremely concerned about the adverse impacts that the new Smart and Skilled environment has had on the institution.

**6.19** The committee heard evidence that the impacts of the changed funding environment are being felt on the ground in a number of ways, including the diversion of course fees to administrative overheads, a drop in TAFE enrolments, cuts to staffing levels, a reduction in course delivery hours, a shift to online learning, and the reduction or deletion of courses and support services for disadvantaged learners. Each of these is addressed in turn below.

### **Use of course funding for administrative overheads**

**6.20** One issue drawn to the committee's attention was that the reduction in non-contestable funding has meant that TAFE is using a percentage of its training budget to pay for administrative overheads. In other words, some of the course prices, which are intended to cover TAFE's direct costs in providing training, are being diverted to fund other costs such as administration, management and marketing.

**6.21** For example, Mr Norm Cahill, Executive Officer, NSW Utilities and Electrotechnology Industry Training Advisory Body, gave evidence that the course price for an electrician

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<sup>249</sup> New South Wales Auditor-General's Report, *Performance Audit: Vocational Education and Training Reform*, 29 January 2015, p 4.

<sup>250</sup> Correspondence from Mr Barilaro to Chair, 19 November 2015, p 1.

<sup>251</sup> Answers to questions on notice, Mr Barilaro, p 8, 9.

<sup>252</sup> Independent Pricing and Regulatory Tribunal, *Final Report: Pricing VET under Smart and Skilled*, October 2013, p 83.

qualification is sufficient to deliver the course, but the course price is being depleted by 40 per cent to cover the costs of TAFE overheads:

The \$13,100 allocated is enough to train an electrician. The problem is that in the TAFE sector dollars are being taken out for reasons other than teaching. The private providers are not having 40 per cent of their funding in our industry taken away from them. I have spoken to them, and they are not. But the TAFE colleges are, and that is where the real problem lies. If the \$13,100 was fully allocated to the teaching section, that would be enough for them to deliver.<sup>253</sup>

- 6.22** The committee has been unable to ascertain from TAFE NSW what percentage of course prices is being diverted to pay for non-teaching costs across the nine institutes.<sup>254</sup> One institute representative stated that this information is commercial-in-confidence.<sup>255</sup> However, the committee heard anecdotal evidence from other witnesses who asserted that the percentage is 47 per cent in the case of the North Coast Institute,<sup>256</sup> and between 40 and 49 per cent in some other institutes. Not surprisingly, these witnesses all commented on the impact this has had on TAFE's ability to provide training to students.<sup>257</sup>

### Drop in enrolments

- 6.23** The committee heard evidence particularly from unions and teachers about the drop in TAFE enrolments over the last few years, and more specifically as a result of the introduction of Smart and Skilled at the start of 2015.
- 6.24** In terms of the reduction in enrolments across TAFE NSW, the submission from the New South Wales Teachers Federation stated:

In the three years before the introduction of the State Government's Smart and Skilled (2012-2014) more than 40,000 students were lost from TAFE. With the introduction of Smart and Skilled this year, enrolments are forecast to be a further 43,000 less than last year's low. This means a loss of more than 83,000 students from TAFE in four years.<sup>258</sup>

- 6.25** Similarly, Unions NSW told the committee that 9,196 fewer students enrolled in 2014-2015 than was forecast in last year's budget, and that 28,641 fewer enrolments are expected in 2015-2016 than in the previous year.<sup>259</sup>

<sup>253</sup> Evidence, Mr Norm Cahill, Executive Officer, NSW Utilities and Electrotechnology Industry Training Advisory Body, 23 September 2015, p 32.

<sup>254</sup> Answers to questions on notice, Ms Christie, p 7.

<sup>255</sup> Answers to question on notice, Ms Marie Larkings, Associate Director and General Manager, Teaching and Learning, TAFE NSW Hunter Institute, 16 October 2015, p 2.

<sup>256</sup> Evidence, Mr Mark Jewell, Disability Consultant, TAFE NSW North Coast Institute, 11 September 2015, p 9.

<sup>257</sup> Evidence, Mr Gavin Manning, National Apprentice Development Systems Manager, Komatsu Australia, 18 September 2015, p 7; Evidence, Mr Cahill, 23 September 2015, p 32.

<sup>258</sup> Submission 147, Australian Education Union New South Wales Teachers Federation Branch, p 3.

<sup>259</sup> Submission 231, Unions NSW, p 4.

- 6.26** It is clear that the drop in enrolments is being felt on the ground across individual institutes and campuses. Just by way of example, at the TAFE NSW Illawarra Institute:
- Ms Liz Henigan, Head Teacher, Community Services, Human Services, Tourism and Hospitality at the Nowra campus, told the committee that the aged care course had seen 53 students graduate last year, but only 30 graduate this year<sup>260</sup>
  - Mr Terry Kofod, Head Teacher, Information Technology stated that across the Dapto, Wollongong and Wollongong West campuses, information technology had gone from ‘300 students to 80 bums on seats’.<sup>261</sup>
- 6.27** Minister Barilaro and Ms Christie both acknowledged the drop in TAFE enrolments,<sup>262</sup> with Ms Christie informing the committee that there had been a reduction of eight per cent, or 43,000 enrolments, this year.<sup>263</sup> However, Ms Christie was at pains to emphasise that there were a number of reasons for this change, including:
- changes to enrolment patterns, ‘so where previously some students were co-enrolled in a learner support enrolment as well as a vocational program, that is now counted as one enrolment’
  - the fact that there are more students studying higher level qualifications, which results in fewer enrolments than if a student studied several shorter, lower level qualifications in the same period
  - barriers to student eligibility for government supported places
  - major system impacts, such as the new IT system, that had an impact on enrolments earlier in the year (discussed in chapter 7).<sup>264</sup>
- 6.28** The NSW Government’s 2015-16 Budget Papers project a significant decline in student enrolments for TAFE NSW. As outlined in the below table, student enrolments including Aboriginal students and students with disabilities are steadily declining since the introduction of the Smart and Skilled policy. Furthermore during this inquiry the government has not explicitly ruled out a causal link between the increases in student fees and the decrease in student enrolments.

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<sup>260</sup> Evidence, Ms Liz Henigan, Head Teacher, Community Services, Human Services, Tourism and Hospitality, TAFE NSW Illawarra Institute, 12 October 2015, p 10.

<sup>261</sup> Evidence, Mr Terry Kofod, Head Teacher, Information Technology, TAFE NSW Illawarra Institute, 12 October 2015, p 32.

<sup>262</sup> Evidence, Mr Barilaro, 22 September 2015, p 26.

<sup>263</sup> Evidence, Ms Christie, 22 September 2015, p 15.

<sup>264</sup> Evidence, Ms Christie, 22 September 2015, p 15.

	Units	2012 Actual	2013 Actual	2014 Actual	2015 Forecast <sup>(a)</sup>	
<b>Service measures:</b>						
<b>TAFE NSW Student enrolments</b>						
All students	no.	579,719	570,036	539,508	496,347	
Aboriginal Students	no.	36,901	37,607	38,038	35,375	
Students with disabilities	no.	59,167	56,983	52,894	47,605	
<b>TAFE NSW enrolments in AQF</b>						
Certificate III and above	no.	296,896	312,242	311,682	289,864	
Diploma and above	no.	76,043	87,018	103,772	114,149	
<b>Graduates satisfied with overall quality of all TAFE training</b>						
	%	90.1	88.9	87.6	89.4	
	Units	2012-13 Actual	2013-14 Actual	2014-15 Forecast	2014-15 Revised	2015-16 Forecast
<b>Employees:</b>	FTE	15,658	15,147	14,772	13,228	13,019
				—2014-15—		2015-16
				Budget \$000	Revised \$000	Budget \$000
<b>Financial indicators:</b>						
<b>Total Expenses Excluding Losses</b>			1,861,539	1,869,561	1,991,545	
Total expenses include the following:						
Employee related			1,328,943	1,211,461	1,228,187	
Other operating expenses			395,296	525,800	625,616	
<b>Capital Expenditure</b>			76,885	71,084	101,128	

(a) TAFE enrolments in 2015 reflect a change in the profile of TAFE's enrolments towards higher qualifications and away from lower qualifications. TAFE is strategically focused on delivering higher level qualifications (Diploma and above) which have a higher per student cost of delivery.

Source: 2015-16 Budget Paper No. 3, p 6-20.

**6.29** Ms Marie Larkings, Associate Director and General Manager, Teaching and Learning, TAFE NSW Hunter Institute also pointed out the impact of the economic cycle on TAFE enrolments, arguing that Smart and Skilled was not solely to blame:

... there has also been a dip in the economy and some of the reasons our enrolments would be less are not just due to issues like Smart and Skilled. There are significant fewer apprentices across the State and certainly the Hunter has experienced a real dip in manufacturing and several other industrial areas. So we have fewer students in some areas purely because that is the cycle of the economy and our workforce. Some of it is due to that, some may be due to Smart and Skilled and some might be due to differences in delivery patterns.<sup>265</sup>

**6.30** On the positive side, Ms Dianne Murray, Director of the TAFE NSW Illawarra Institute, commented that her institute had seen a significant increase in apprenticeship and traineeship enrolments in 2015, with a doubling of stage 1 apprentices in construction and plumbing.<sup>266</sup> Similarly, Ms Lindy Kemp, Director TAFE Services, TAFE NSW North Coast Institute, told

<sup>265</sup> Evidence, Ms Marie Larkings, Associate Director and General Manager, Teaching and Learning, TAFE NSW Hunter Institute, 18 September 2015, p 23.

<sup>266</sup> Evidence, Ms Dianne Murray, Director, TAFE NSW Illawarra Institute, 12 October 2015, p 2.

the committee that her institute has seen ‘a steady increase in enrolments over the last number of years’, with 2014 the biggest year with 50,000 enrolments.<sup>267</sup>

### Cuts to staffing levels

**6.31** Unions and teachers also expressed great concern at cuts to TAFE staffing levels over the last several years, which they said is continuing under Smart and Skilled. In terms of quantifying those cuts, the committee heard that TAFE has lost 2,600 full time equivalent positions in the last four years.<sup>268</sup> The Public Service Association of NSW broke this number down as follows:

In July 2012 there were 15,820 employees. That figure is 13,228 this July and is forecast to be 13,019 by July 2016. This represents a direct loss of teaching and teacher support staff, either through redundancy or the reduction of hours.<sup>269</sup>

**6.32** TAFE’s 2014-15 annual report revealed even more alarming losses. From 2012 to 2015, a loss of 3,610 full time equivalent teachers. The number fell from 10,234 in June 2012 to 6,624 in June 2015. More than 1,000 full time equivalent support staff were also lost. TAFE has lost almost one third of its teacher workforce in just three years.<sup>270</sup>

**6.33** Again, the committee heard evidence about the dramatic impact these staffing cuts have had in individual campuses over many years. For example, Ms Kathy Nicholson, Post-Schools Organiser, New South Wales Teachers Federation, said that at the Inverell TAFE campus, there were 30 full-time teachers in 1995, whereas there are only seven teachers there today.<sup>271</sup>

**6.34** Another, related concern expressed by stakeholders is the increasing casualisation of the TAFE workforce. The committee was told that only a third of TAFE teachers are in permanent positions, with two-thirds being employed on a part-time casual basis. Mr Maurie Mulheron, President of the New South Wales Teachers Federation remarked that he was ‘not sure how much more flexible TAFE can get when two-thirds of its teaching workforce are part-time casuals with no permanency and the other third are being made redundant’.<sup>272</sup>

**6.35** Ms Terri Quinlan, a Part-time Information Technology Teacher and TVET Coordinator at the TAFE NSW Illawarra Institute, gave compelling evidence about how the staffing cuts and increasing casualisation are impacting on her and her colleagues, and ultimately on students. This evidence is reproduced in the case study below.

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<sup>267</sup> Evidence, Ms Lindy Kemp, Director TAFE Services, TAFE NSW North Coast Institute, 11 September 2015, p 32.

<sup>268</sup> Submission 147, Australian Education Union New South Wales Teachers Federation Branch, p 3.

<sup>269</sup> Submission 218, Public Service Association of NSW, p 14.

<sup>270</sup> TAFE NSW, *TAFE NSW Annual Report 2014-2015*, p 117.

<sup>271</sup> Evidence, Ms Katherine Nicholson, Post Schools Organiser, New South Wales Teachers Federation, 11 September 2015, p 40; Answers to questions on notice, Ms Katherine Nicholson, Post-Schools Organiser, New South Wales Teachers Federation, 6 October 2015, p 1.

<sup>272</sup> Evidence, Mr Maurie Mulheron, President, New South Wales Teachers Federation, 22 September 2015, p 44.

**Case study: Ms Terri Quinlan**

I get fewer than 10 teaching hours a week, which means I am just paid to attend to teach the class. I have colleagues who have lost teaching work, who no longer work in TAFE. I have colleagues who are alongside me in the sectional halls who have reduced hours.

... All of us have lost hours and we are finding that, in an effort to maintain a pool of casuals should there be a need to run extra courses or a permanent off sick, they are making our work hours smaller. For instance, I have two 1½ hour classes in a section on different days so I come to TAFE to teach a 1½ hour class and come home because they need to share the hours among the few casuals who are left. We reach a point where we have to decide whether it is financially viable for us and our family. You may not lose all your work but you may still have to choose to walk away from TAFE. I am fast approaching that point ...

[TAFE is] losing a lot of institutional knowledge, but the important impact is the impact on students. It means that these teachers are not available on campus outside of class for students to have access to student support. It means there are fewer available people on campus to carry out the administrative work, particularly with the onerous SALM/EBS. That is falling increasingly to our permanent colleagues, who are increasingly stressed, or to casuals like me, who are putting in unpaid hours in order to keep up with the administrative side'.<sup>273</sup>

**6.36** In contrast, the committee heard evidence from Mr Mark Goodsell, the NSW Director of the Australian Industry Group, that staffing cuts are not always a bad thing, depending on 'how many there were to start off with, what value they were adding on the way through and the value that the employers saw'. Mr Goodsell commented that many members of his organisation had lost as many employees as TAFE in the last four years, and they 'would probably say that they are better businesses at the end of the process than they were at the beginning'.<sup>274</sup>

**Reduction in course delivery hours**

**6.37** A significant number of inquiry participants expressed alarm at the reduction in course delivery hours under Smart and Skilled, primarily because of how this is affecting students.<sup>275</sup> TAFE teachers who appeared before the committee gave the following examples of cuts to course delivery hours:

<sup>273</sup> Evidence, Ms Terri Quinlan, Part-time Information Technology Teacher and TVET Coordinator, TAFE NSW Hunter Institute, 18 September 2015, pp 41-42.

<sup>274</sup> Evidence, Mr Mark Goodsell, NSW Director, Australian Industry Group, 23 September 2015, p 44.

<sup>275</sup> See, for example: Submission 124, Name suppressed, p 1; Submission 131, Mr Jack Galvin Waight, p 1; Submission 23, Ms Eva Dillon-Smith, p 1; Submission 8, Mr Jonathan Christley, p 1; Submission 39, Mr Peter Druery, p 1; Submission 42, Name suppressed, p 3; Submission 169, Name suppressed, p 1; Submission 184, Name suppressed, p 1.

- in the electrical trades course at the Muswellbrook campus, 17.5 per cent of face-to-face teaching hours were cut from classroom delivery at the start of 2015, meaning courses previously delivered in 864 hours are now delivered over 720 hours<sup>276</sup>
- in the metal fabrication course at the Gosford campus, the course is now being delivered in 16 weeks instead of 18 weeks, with seven face-to-face delivery hours a week with apprentices rather than eight face-to-face delivery hours<sup>277</sup>
- in the business course at the Ourimbah campus, a subject that used to be delivered in four hours a week face-to-face with students over 18 weeks is now being delivered in one and a half hours face-to-face with students, with one hour of flexible delivery<sup>278</sup>
- in the mechanics course at the Nowra campus, the apprenticeship has been cut from 36 weeks down to 30 weeks, with face-to-face TAFE teaching hours delivered on 24 days over three years, representing about a 33 per cent cut in the face-to-face training.<sup>279</sup>

**6.38** The consistent theme to emerge from the evidence of these and other teachers is that they are ‘having to do more with less’. While staff are subjected to unreasonable workloads and stress, students are experiencing declining support and less attention to their needs. The community will in the long run bear the brunt of lower standards of education and training. Typical comments by teachers giving evidence to the committee were as follows:

- ‘[T]he major problem we are having right now is the discounting of hours which forces teachers teaching training packages to have to do a lot of chalk and talk, which means you stand up, talk as quickly as you can in terms of getting through the material in the time you have allotted to you, which is a poor teaching technique. I have students come to me and say after 15 minutes, “I’m gone”’.<sup>280</sup>
- ‘When you look at being asked to deliver a program in fewer hours what happens is you will take the theory type work, bundle it up into delivery materials, say to the students you need to work through these, you may get a chance to get some help, and you need to complete these assessments and then we shift the main delivery hour to the practical skill component, which usually has the work health and safety aspect embedded in it and it is not something that we take shortcuts on. ... [I]t is fine for those people who have considerable skills. But if they are lacking high-level reading, comprehension and writing skills ... then they are going to find it difficult’.<sup>281</sup>
- ‘[O]ur students are getting less time to practice and perfect. We are getting less time to show case studies and give people opportunities to learn and share off each other. We

<sup>276</sup> Evidence, Mr Michael Dyer, Teacher, Electrical Trades, TAFE NSW Hunter Institute, 18 September 2015, p 38.

<sup>277</sup> Evidence, Ms Quinlan, 18 September 2015, p 39.

<sup>278</sup> Evidence, Ms Quinlan, 18 September 2015, p 39.

<sup>279</sup> Evidence, Mr Rob Long, Post-Schools Organiser, New South Wales Teachers Federation, 12 October 2015, p 5.

<sup>280</sup> Evidence, Mr Jewell, 11 September 2015, p 6.

<sup>281</sup> Evidence, Mr Dave Carey, Science, Sustainability & Laboratory Coordinator, TAFE NSW North Coast Institute, 11 September 2015, pp 7-8.

are forced simply to deliver the content as quickly as possible and let everyone have to go away and absorb everything themselves'.<sup>282</sup>

- 6.39** As the head of TAFE, Ms Christie acknowledged that 'the Smart and Skilled fees and prices [have put] pressure on our budget and the amount of time we can allocate to delivery, but we are absolutely looking at how we can maintain quality in that environment'.<sup>283</sup>

### **Shift to online learning**

- 6.40** Hand in hand with concerns about the reductions in course delivery hours, is the shift from face-to-face to online learning. For one thing, numerous stakeholders made the point that some qualifications are just not suited to online delivery, particularly those with high safety risks. For example, Mr Gavin Manning, the National Apprentice Development Systems Manager at Komatsu Australia, one of Australia's leading suppliers of earthmoving equipment, parts and service for the mining, construction and utility markets, told the committee:

Different industries require different delivery methods. In our particular case, because of some of the things that have been mentioned before, safety, the opportunity hands-on to carry out the task, the experience of the teacher standing out the front and the opportunity for them to hand on their knowledge and previous skills are extremely important. With online you do not get to do that.<sup>284</sup>

- 6.41** Similarly, Ms Larkings commented that it is not easy to deliver content online for those 'very practical, technical areas where students' safety and the regulatory nature of what they do is so critical'.<sup>285</sup> This was reflected in the evidence given by Mr Michael Dyer, an Electrical Trades teacher at the TAFE NSW Hunter Institute. Mr Dyer stated that in his trade, the industry wants to send its students to TAFE, but that '[t]hey want us to deliver like it was delivered when I was an apprentice. They do not want us to deliver online'.<sup>286</sup>
- 6.42** Other inquiry participants observed that some students are just not suited to online learning, particularly those who, for whatever reason, do not have the organisational or analytical skills required to learn in this way.<sup>287</sup> In their submission, the TAFE Community Alliance explained that another barrier to successful online learning may be access to technology, particularly for students with a disadvantage:

[M]any people in the VET sector ... may also not have access to appropriate resources including timely access to a computer or access to adequate internet speed and data. This is particularly true for mature age learners, people in remote communities, Aboriginal and Torres Strait Islander people, youth, and other disengaged or disadvantaged learners.<sup>288</sup>

<sup>282</sup> Evidence, Ms Quinlan, 18 September 2015, p 40.

<sup>283</sup> Evidence, Ms Christie, 22 September 2015, p 21.

<sup>284</sup> Evidence, Mr Manning, 18 September 2015, p 4.

<sup>285</sup> Evidence, Ms Larkings, 18 September 2015, p 21.

<sup>286</sup> Evidence, Mr Dyer, 18 September 2015, p 38.

<sup>287</sup> Submission 185, TAFE Community Alliance, pp 9-10.

<sup>288</sup> Submission 185, TAFE Community Alliance, p 10.

- 6.43** In contrast, Minister Barilaro gave evidence that more and more students are in fact *choosing* to learn online, and that the shift to online delivery came about long before the introduction of Smart and Skilled. Referring both to online learning and ‘blended’ learning delivered in the workplace, he told the committee:

We were not in Government between 2004 and 2011 and yet we saw classroom activity drop to the tune of 26 per cent. Therefore students were already telling us in that period—prior to any change of government, prior to Smart and Skilled, and prior to any changes in framework and pricing—that they were not choosing the classroom delivery model. They were choosing online. They were choosing blended delivery in the workplace. We are now responding, because if we do not respond then the strong brand that TAFE has, which is respected by both industry and students, will not remain relevant in the future.<sup>289</sup>

- 6.44** Similarly, Ms Kemp commented that across the North Coast Institute, 40 per cent of students were choosing online or blended learning, rather than coming into a campus, and that this shift was in response to ‘the way learners want to learn ... face-to-face on a campus; fully online, so fully flexible 24-7; in the workplace; and then a range of blended combinations of that as well’.<sup>290</sup>

#### **Cuts to learner support, access and outreach courses**

- 6.45** Another key area where the Smart and Skilled reforms are being felt is in cuts to learner support, access and outreach courses, designed to target the needs of disadvantaged groups in various ways. The committee heard that these courses, which were fee-free prior to Smart and Skilled, have in some cases been reduced or deleted completely due to TAFE funding cuts, and if they are offered, are too expensive for students to enrol in.<sup>291</sup>

- 6.46** Numerous stakeholders emphasised the critical role that these courses play in helping disadvantaged students to develop vocational skills, acting as a pathway to further study.<sup>292</sup> For example, the committee heard from Ms Therese Sands, Co-Chief Executive Officer, People with Disability Australia, that the learner support course was particularly beneficial for students with a disability, providing:

... a critical post-school transition into the vocational education and training environment. It would provide foundational skills for a number of students with disability around basic computer programs, study skills, timetable programming and moving into the TAFE environment. It was particularly beneficial for students with an intellectual disability.<sup>293</sup>

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<sup>289</sup> Evidence, Mr Barilaro, 22 September 2015, p 35.

<sup>290</sup> Evidence, Ms Kemp, 11 September 2015, p 31.

<sup>291</sup> Evidence, Mr Jewell, 11 September 2015, p 7; Evidence, Mr Edward Clapham, Head Teacher, Carpentry, TAFE NSW Illawarra Institute, 12 October 2015, p 8; Evidence, Mr Kevin Heys, Spokesperson, TAFE Community Alliance, 23 September 2015, p 20; Submission 135, Blue Mountains TAFE Teachers Association, p 6.

<sup>292</sup> Evidence, Mr Clapham, 12 October 2015, p 7.

<sup>293</sup> Evidence, Ms Therese Sands, Co-Chief Executive Officer, People with Disability Australia, 23 September 2015, pp 76-77.

**6.47** Similarly, Ms Lorraine Watson, a Teacher Consultant at TAFE NSW Illawarra Institute, stated that ‘access’ courses, which are tailored to the specific needs of people who have intellectual and other disabilities, have been offered in TAFE NSW campuses for over 35 years. However, under the new funding arrangements these courses have been severely reduced, making it ‘harder for such students to develop vocational skills’.<sup>294</sup>

**6.48** The committee also heard that learner support and access courses act as a ‘safety net’ for students with literacy and numeracy challenges,<sup>295</sup> and according to Ms Cindy Berwick, President, NSW Aboriginal Education Consultative Group, can play a particularly important role for Aboriginal students:

One of the things that TAFE provides that other private providers have not provided is the support mechanisms. For Aboriginal people it is sometimes often a second chance at education, like policies and practices in the past have not necessarily lead to good outcomes in schooling. So to be able to enrol in TAFE and often with poor literacy skills, often skills in literacy and numeracy that may not be up to standards, what TAFE does is offer tutorial assistance, actually offer mentoring and offering support for Aboriginal people to undertake their credential and private providers do not offer that. That is one of the reasons that TAFE is a preferred provider for Aboriginal people.<sup>296</sup>

**6.49** In addition, the Blue Mountains TAFE Teachers Association expressed grave concern at the fact that outreach courses, which focus on adult learning and community engagement, now attract a fee under Smart and Skilled. According to their submission, this fee, ‘while modest in comparison to other course fees at higher levels, is beyond the reach of many on low incomes’, acting as a barrier that has significantly reduced the number of people studying at this level of qualification. This has impacted on many disadvantaged sectors of the community, including people facing geographical and social isolation, financial hardship, lack of educational confidence, or who are incarcerated in, or recently released from, a correctional centre.<sup>297</sup>

**6.50** The committee also heard that some outreach courses have been cut completely. The joint submission from the Fairfield Multicultural Interagency and Fairfield Emerging Communities Action Partnership argued that these cuts ‘will perpetuate the entrenched disadvantage that so often accompanies communities with limited education and training prospects’, and gave the following example of the difference such programs can make for people in their community:

In 2014 TAFE Outreach delivered a free food handling certificate to a local group of 45 Chaldean community members. This was onsite at centre where the group regularly gathered ensuring good physical access. Of the total participants 30 were able to complete the course in English. TAFE Outreach organised for an Arabic language tutor to deliver training to the remaining 15. These students were highly motivated to undertake further English learning as a result of this course as they were keen to

<sup>294</sup> Submission 268, Ms Lorraine Watson, p 7.

<sup>295</sup> Evidence, Mr Clapham, 12 October 2015, p 7.

<sup>296</sup> Evidence, Ms Cindy Berwick, President, NSW Aboriginal Education Consultative Group, 23 September 2015, p 82.

<sup>297</sup> Submission 135, Blue Mountains TAFE Teachers Association, p 6.

explore other VET course options. The other 30 with existing English language skills went on to study nutrition units and a small number went on to find work.<sup>298</sup>

- 6.51** Another stakeholder made the point that, given the shift to online learning across TAFE NSW, courses such as learner support, access and outreach give students a greater capacity to be able to undertake some of their learning online.<sup>299</sup>

### **Cuts to counselling, library and other student services**

- 6.52** In addition to the course-specific cuts discussed above, several TAFE teachers expressed concern about cuts to services such as counselling and library services, and the impact this is having on students. For example, Mr Tim Andrews, a TAFE Counsellor of 23 years' standing, explained that TAFE counsellors offer a unique service, combining professional psychological support with careers advice to guide those students who may not know which course is right for them. He gave evidence that:

One of the TAFE counsellors' roles is to sit down with people and look at our TAFE courses on offer. We research the courses so as to help prospective students to make an informed choice so that when they enrol at TAFE they know they are doing the right course for the right reasons at the right time. People who do not access such a service as mine and just look at a plethora of information by themselves without professional guidance can easily be conned, so to speak.<sup>300</sup>

- 6.53** Mr Andrews also told the committee that in the Hunter Institute, TAFE counselling is presently under review for change management, with the proposed model involving a 60 per cent cut to the counselling staff budget.<sup>301</sup> Similarly, Ms Kerrin McCormack, a recently retired TAFE Counsellor of some 39 years' standing, stated that there were just over 20 counsellors employed across the South Western Sydney Institute three years ago, that this has since been cut to seven and a half.<sup>302</sup>

- 6.54** This evidence on cuts at the South Western Sydney Institute is consistent with evidence given by the Public Service Association.<sup>303</sup> Its submission also informed the committee about cuts to library and customer service positions:

At [South Western Sydney Institute] 27 full time positions have been lost from Library services, with all but one campus now acting as a booking and courier service from the main Library. Students at nine of the ten colleges now have limited access to books on demand. At the same time Customer Service Centre staff responsible for student enquiries, enrolments and transcripts have had their numbers cut and been relocated into makeshift accommodation within the former Library spaces. Their loss

<sup>298</sup> Submission 217, Fairfield Multicultural Interagency and Fairfield Emerging Communities Action Partnership, p 5.

<sup>299</sup> Evidence, Ms Nicholson, 11 September 2015, p 42.

<sup>300</sup> Evidence, Mr Tim Andrews, TAFE Counsellor, TAFE NSW Hunter Institute, 18 September 2015, p 42.

<sup>301</sup> Evidence, Mr Andrews, 18 September 2015, p 37.

<sup>302</sup> Evidence, Ms Kerrin McCormack, Private individual, 23 September 2015, p 63.

<sup>303</sup> Submission 218, Public Service Association of NSW, p 23.

has meant student enrolment processes have become more laborious and time consuming for students.<sup>304</sup>

## Opportunities for TAFE in the new environment

**6.55** As acknowledged in the *Statement of Owner Expectations – TAFE NSW*, under Smart and Skilled, the NSW Government expects TAFE to:

... operate responsibly within the current challenging fiscal environment and compete with private and community training providers for contestable government training funds. To meet these expectations TAFE NSW and its Institutes need to transform and become more locally responsive, flexible and autonomous.<sup>305</sup>

**6.56** The Minister also informed the committee that:

The NSW Government expects that the management of TAFE NSW will explore a wide range of options to make TAFE NSW more efficient while continuing to provide high quality training and meet community service obligations. The NSW Government expects TAFE NSW to review its asset base, delivery model, overheads and other major cost items. The NSW Government will continue to work with TAFE NSW to ensure any actions are consistent with the Government's broader objectives for vocational education and training.<sup>306</sup>

**6.57** During this inquiry the committee heard about some of the strategies and opportunities TAFE is exploring in order to meet these expectations. For example, in addition to the funding streams provided by the government, TAFE NSW also brings in significant commercial revenues – around \$580 million<sup>307</sup> – through activities such as:

- commercial partnerships, consultancies or licensing arrangements with industry, vocational education and training sector or other collaborators
- education export opportunities in Australia and overseas
- fee-for-service offerings for individuals and industries not eligible for government subsidised training places.<sup>308</sup>

**6.58** Further, Ms Christie informed the committee about TAFE's development of a strategic asset management plan, include property divestments and investments. Under the plan, under-utilised facilities and vacant land will be sold, with the proceeds re-invested in new facilities that better cater to changing student demand.<sup>309</sup> Ms Christie stated the plan is likely to involve broadening the types of places in which students can access training, such as community centres or libraries in partnership with local councils. She emphasised that TAFE's priority is

<sup>304</sup> Submission 218, Public Service Association of NSW, p 24.

<sup>305</sup> NSW Government, *Statement of Owner Expectations – TAFE NSW*, August 2013, p 1.

<sup>306</sup> Answers to questions on notice, Mr Barilaro, p 8.

<sup>307</sup> Evidence, Ms Christie, 22 September 2015, p 21.

<sup>308</sup> NSW Government, *Statement of Owner Expectations – TAFE NSW*, August 2013, p 8.

<sup>309</sup> Evidence, Ms Christie, 22 September 2015, p 22.

quality teaching, and that its vision is ‘to expand our delivery points, not to contract them, but not to have large campuses or under-utilised campuses’.<sup>310</sup>

**6.59** During this inquiry, the committee heard about several campuses that may be subject to partial or full sale under the strategic asset management plan.<sup>311</sup> For example, in response to media reports about the potential sale of the western side of the Belmont TAFE campus, Ms Larkings advised the committee that the proposed sale is of an old primary school building that forms part of the campus, and which has not been inhabited by students since around 2007. She noted that, despite what has been reported, the sale would have ‘no impact on students’ because ‘there is no student delivery on that side of the campus’.<sup>312</sup> In addition, Minister Barilaro assured the committee that ‘every dollar’ of the proceeds from any sales would be re-invested back into TAFE.<sup>313</sup>

**6.60** Another area of opportunity for TAFE NSW is engaging with industry. The committee heard that this has not been a traditional area of strength for TAFE, with Mr Goodsell commenting that ‘current circumstances require them to have a much more modern way of engaging with industry and they need to develop that capability because I do not think they innately have it’.<sup>314</sup> The committee heard from representatives of industry and TAFE NSW about a variety of ways in which TAFE has been developing that capability, including:

- customising the way training is delivered in response to employer and student needs, for example assessing apprentices in the workplace rather than on campus<sup>315</sup>
- liaising with local employers to ensure the course modules offered meet the employers’ needs<sup>316</sup>
- entering into formal memorandums of understanding with employers to deliver training for their apprentices and trainees<sup>317</sup>
- partnering with local employers to allow TAFE students to do practical work experience, including in pre-vocational courses<sup>318</sup>
- holding regular industry forums with local businesses<sup>319</sup>
- creating alumni networks, which allow ex-students who go on to become employers to stay connected with, and send their students to, TAFE NSW.<sup>320</sup>

<sup>310</sup> Evidence, Ms Christie, 22 September 2015, p 23.

<sup>311</sup> Belmont, Dapto and Grenfell campuses.

<sup>312</sup> Evidence, Ms Larkings, 18 September 2015, p 23.

<sup>313</sup> Evidence, Mr Barilaro, 22 September 2015, p 30.

<sup>314</sup> Evidence, Mr Goodsell, 23 September 2015, p 41.

<sup>315</sup> Evidence, Ms Kemp, 11 September 2015, p 36; Evidence, Mr Graham Armstrong, Head Teacher, Automotive and Vehicle Repair, TAFE NSW North Coast Institute, 11 September 2015, p 14.

<sup>316</sup> Evidence, Mr Simon Stahl, Chief Executive Officer, Northern Co-Operative Meat Company, 11 September 2015, p 56.

<sup>317</sup> Evidence, Mr Manning, 18 September 2015, p 2; Evidence, Ms Larkings, 18 September 2015, p 20; Evidence, Mr John Coyle, Director, Hunternet Group Training Company, 18 September 2015, p 31.

<sup>318</sup> Evidence, Ms Larkings, 18 September 2015, p 20; Evidence, Ms Murray, 12 October 2015, p 2.

<sup>319</sup> Evidence, Ms Larkings, 18 September 2015, p 20.

- 6.61** Finally, in recognition of the fact that its staff costs are 30 to 50 per cent higher than some of its private competitors, TAFE NSW is also looking at changing its teaching model by introducing less expensive ‘para-professional’ roles, such as assessors and education support officers.<sup>321</sup> The committee heard that a 12-month trial of these new roles is showing ‘some positive findings about how we can still maintain a very high quality delivery’, with the model ‘valuing the professional role of the teacher as part of a team of professional educators supporting the students in a more diverse way’.<sup>322</sup>
- 6.62** However, several union stakeholders expressed concerns about this plan, characterising it as a ‘drive-down model’ that will only result in further staff casualisation and loss of quality teaching capability.<sup>323</sup> In the view of Ms Maxine Sharkey, Assistant General Secretary, New South Wales Teachers Federation, TAFE should be focusing on professional development of staff, in recognition of the fact that:

TAFE is one of the most diverse educational facilities in Australia. We do not just teach second-chance learning. We teach high-quality professional learning as well. There are many people who believe that TAFE is a steppingstone to university but there are in fact more university-trained students who come back to TAFE than there are TAFE-trained students who go to university. A TAFE teacher needs to be able to have the skill, the knowledge of their profession, but the teaching skill to be able to translate that knowledge to second-chance learners and to highly qualified professionals, and TAFE teachers can do that.<sup>324</sup>

## The IPROWD program

- 6.63** The committee heard about an innovative training program developed by TAFE NSW to assist Aboriginal people to gain entry to the NSW Police Academy at Goulburn, which is the first step to becoming an officer in the NSW Police Force.<sup>325</sup> This program, known as IPROWD, is a partnership between TAFE NSW, the Australian Government, the NSW Police Force and Charles Sturt University, and is available at a range of locations across the state.
- 6.64** During its site visit to the TAFE NSW Dubbo campus, the committee was fortunate to meet with Mr Peter Gibbs, who was responsible for initiating and now leading the program. The committee heard that that the program has been extremely effective, in part because it provides students with support before, during and after the course, in order to overcome barriers to reach their goal of becoming a police officer.

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<sup>320</sup> Evidence, Ms Larkings, 18 September 2015, p 20.

<sup>321</sup> Evidence, Ms Christie, 22 September 2015, p 15.

<sup>322</sup> Evidence, Ms Christie, 22 September 2015, p 15.

<sup>323</sup> Evidence, Mr Mulheron, 22 September 2015, p 48; Evidence, Ms Maxine Sharkey, Assistant General Secretary, New South Wales Teachers Federation, 22 September 2015, p 49; Evidence, Mr Steve Turner, Acting General Secretary, Public Service Association of Australia, 22 September 2015, p 44.

<sup>324</sup> Evidence, Ms Sharkey, 22 September 2015, p 49.

<sup>325</sup> Evidence, Ms Berwick, 23 September 2015, p 81.

## Committee comment

- 6.65** The committee acknowledges and shares the passionate views expressed by inquiry participants in support of TAFE NSW, and the concern that many TAFE teachers feel about the changes they see happening in campuses and institutes across the state.
- 6.66** It is clear that the vocational education and training environment is changing in a big way. It is also clear that TAFE NSW is going through its own change process, for example in its training delivery methods and staffing profile. However, it is important to recognise that these changes have been happening for some years now, not just as a result of the introduction of Smart and Skilled.
- 6.67** It is therefore difficult, for the most part, to determine with certainty whether the policy measures introduced under Smart and Skilled at the beginning 2015 have caused the numerous adverse impacts on TAFE identified by stakeholders. Having said that, while there may be numerous reasons for the long-term decline in TAFE enrolments, the notable drop at the beginning of 2015 appears to be attributable to Smart and Skilled. It is of course possible that some of the new policy announcements made in the second half of 2015 (discussed in chapter 3), such as the relaxation of eligibility rules and the introduction of 200,000 fee-free places, will help to reverse this sudden decline.
- 6.68** The committee is deeply troubled at the reduction in face-to-face delivery hours, including for courses involving high safety risks such as electro-technology. We are particularly concerned at the impact that a reduction in course delivery hours will have on the quality of the education provided by TAFE, and TAFE's ability to satisfy the learning expectations of students and employers. The committee urges the government to prescribe minimum face-to-face delivery hours in all courses for all providers subsidised under Smart and Skilled to ensure adequate teaching time, and to ensure student and community safety in courses and professions that involve risks.

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### Recommendation 9

That the NSW Government establish and enforce minimum face-to-face delivery hours for all courses subsidised under Smart and Skilled to ensure that there is adequate teaching time.

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- 6.69** In general, the evidentiary record available to the committee suggests that not all TAFE courses are perfectly substitutable between online and face-to face learning environments, and insufficient evidence is available for the committee to determine whether quality outcomes between online and face-to-face learning are comparable. The committee recommends that the NSW Skills Board study the post-qualification outcomes of graduates of online courses, compared with graduates of face-to-face courses, to determine whether there is any variance in employment, income and participation in further vocational or tertiary education.

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### **Recommendation 10**

That the NSW Skills Board study the post-qualification outcomes of graduates of online courses, compared with graduates of face-to-face courses, to determine whether there is any variance in employment, income and participation in further vocational or tertiary education.

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- 6.70** The committee is concerned about cuts to counselling, library and other student services. Reductions in these services are likely to have an adverse impact on teaching quality and completion rates.
- 6.71** We also note with concern that TAFE institutes are using a percentage of the course fees they receive to pay for administrative overheads. In the committee's view, these costs should be covered by the Operational Base Funding TAFE receives directly from the government. Using course fees to supplement administrative overheads in effect places some of the burden onto students, who then suffer the impact.
- 6.72** TAFE should reduce its overhead costs to the minimum level consistent with the provision of quality education and training to students and the maintenance of staff and support. However, improved efficiency should not be established at the expense of the supportive learning environment of which TAFE is justifiably proud or the sustainability of its workforce.
- 6.73** TAFE is currently exploring many promising opportunities in the area of asset management. The committee supports TAFE's efforts to broaden the types of places where training is delivered, such as community centres or libraries. In our travels across New South Wales, the committee has been struck by the extent and quality of the facilities on offer at TAFE campuses right around the state. It is a shame that these facilities are not currently being shared with those private providers who would be willing to pay for the privilege. The committee therefore believes that TAFE should allow other providers to use its facilities for a commercial fee, subject of course to rigorous safety precautions and guaranteed secure access by TAFE to its buildings and facilities. Taxpayers are entitled to get a greater return on these assets, providing better value for the community.
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### **Recommendation 11**

That TAFE NSW:

- allow other training providers to use its facilities for a commercial fee, subject to rigorous safety precautions
  - be guaranteed secure access to its buildings and facilities.
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- 6.74** The committee notes that TAFE has a strong track record in developing innovative programs. Building on this history of innovation is part of the way TAFE will secure its position in a contestable training market in times to come.
- 6.75** In this regard, we commend TAFE's IPROWD program, which works to improve Aboriginal and police relations while also promoting employment and training for Aboriginal people. We
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recommend that this program be provided with ongoing funding and support so that it may expand and flourish in the future.

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### **Recommendation 12**

That the NSW Government continue to support the IPROWD program and liaise with the Australian Government regarding continued funding and support for this program so that it may expand in the future.

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- 6.76** Finally, and on a different note, the committee is dismayed at the lack of transparency around TAFE's direct funding, with the committee unable to obtain clear information around the amount and breakdown of the funding. Given that these funding allocations represent TAFE's secure budget – the amount TAFE knows it can rely on from year to year to provide services, despite fluctuations in the amount of contestable funding it receives – this is unacceptable.
- 6.77** While the committee has recently been informed about the existence of a memorandum of understanding regarding the accountability arrangements for the direct funding allocations, this document has not been made public. In our view, it is critical that there be transparency around the amount of Operational Base Funding and Community Service Obligation funding, and publicly available accountability guidelines setting out the purposes for which this funding may be used.
- 6.78** The committee acknowledges that the government has commenced work on a model to link Community Service Obligation funding to the delivery of specific activities and training, with transparent reporting. This work ought to be progressed as a matter of urgency, and encompass the use of Operational Base Funding.
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### **Recommendation 13**

That the NSW Government:

- make public the amount and breakdown of TAFE NSW's direct funding allocations
  - make public the memorandum of understanding regarding the accountability arrangements for the direct funding allocations
  - expedite the development of clear and transparent guidelines for the use of Operational Base Funding and Community Service Obligation funding.
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## Chapter 7      **The new TAFE IT system and access to course information**

The Student Administration and Learning Management/Education Business System (SALM/EBS) is an IT system that was implemented in TAFE campuses across New South Wales in late 2014. This chapter considers the problems that have afflicted the SALM/EBS system from its inception, and examines the impact these have had on staff and students. The chapter also discusses the concerns raised by stakeholders about access to course information for prospective and existing students.

### **Introduction of SALM/EBS system to TAFE NSW**

- 7.1**      In October 2014, an IT system known as SALM/EBS was delivered to TAFE NSW.<sup>326</sup> The system was developed for the Department of Education and Communities as part of its Learning Management and Business Reform program, which began in 2006 while TAFE was still part of the department.
- 7.2**      The Learning Management and Business Reform program aimed to ‘replace various legacy systems with a modern, integrated system to manage student administration, and introduce a single human resources, payroll and finance system across the department’, including implementation in schools and TAFE.<sup>327</sup>
- 7.3**      There are three separate components to the Learning Management and Business Reform program:
- a finance system
  - an HR system
  - the SALM/EBS system, which manages student administration, including enrolment, student attendance and course results.

### **Problems with the SALM/EBS system**

- 7.4**      The committee heard extensive evidence from TAFE teachers and other stakeholders about the problems with the SALM/EBS system.
- 7.5**      Ms Liz Henigan, Head Teacher of Community Services, Human Services, Tourism and Hospitality at the TAFE NSW Illawarra Institute, summed up the flaws as follows:

It doesn't do what it is meant to. It was meant to, as a minimum, maintain student attendances and results, and link through to a number of other systems. It does not work. I have put hundreds of hours into learning the system, working with Helpdesk and trainers, and over and over again the ‘experts’ confirm that many of its functions are simply not working. I do not know who made the final decision to “go live”, and I

<sup>326</sup> Evidence, Ms Pam Christie, Managing Director, TAFE NSW, 22 September 2015, p 18.

<sup>327</sup> NSW Auditor-General, *The Learning Management and Business Reform Program*, December 2014, p 2.

understand that it was made under pressure of time etc, but really ... it is fundamentally flawed.<sup>328</sup>

**7.6** Ms Henigan told the committee that the system is ‘way, way, way too complicated to be efficient’ and that it is ‘fiddly and very detailed and there are far too many opportunities for people to make very minor mistakes that create very major problems’. She said that setting up course offerings, registers and assessments had become more complicated and ‘tasks that used to take me 20 minutes now take me on average 4-5 hours’. Ms Henigan further stated that some tasks, such as teachers entering attendances and results, should be relatively simple, but ‘the system doesn’t work and consequently teachers frequently cannot fulfill their basic record-keeping responsibilities’.<sup>329</sup>

**7.7** Ms Henigan provided the following examples of the types of problems that have regularly occurred following the introduction of the SALM/EBS system:

- staff unable to run accurate reports showing current enrolment numbers
- staff unable to access the system to record student attendances and results
- data previously entered by staff being inexplicably lost or changed.<sup>330</sup>

**7.8** Mr Terry Kofod, Head Teacher, Information Technology at the TAFE NSW Illawarra Institute, informed the committee that he had worked in IT for more than 30 years and had the following to say about the implementation of the SALM/EBS system:

It has been a disaster. I say that from an IT recovery point of view. It has been a massive problem for students and all staff—teaching and non-teaching. Everybody has worked really hard to try to get students through. Obtaining the simplest things, such as student results, is incredibly complex now. It is an ongoing problem. I cannot see it being fixed quickly or easily.<sup>331</sup>

**7.9** Mr Mark Powell, a Teacher of Commercial Cookery at the TAFE NSW Hunter Institute, told the committee of the unreliability of the system when entering students’ results in SALM/EBS, stating, ‘It does not work. We enter marks for students into the system one day. We check the next day and they have gone or they have been changed to a negative result’.<sup>332</sup>

**7.10** Another TAFE teacher wrote that, ‘The new EBS system has been a disaster. It simply hasn’t worked’, before going on to say that ‘some students gave up trying to enroll this year as it was simply too hard’.<sup>333</sup>

**7.11** The Assistant General Secretary of the New South Wales Teachers Federation, Ms Maxine Sharkey, discussed the problems faced by members of the federation on

<sup>328</sup> Submission 159, Ms Liz Henigan, p 2.

<sup>329</sup> Submission 159, Ms Liz Henigan, p 3.

<sup>330</sup> Submission 159a, Ms Liz Henigan, pp 9-10.

<sup>331</sup> Evidence, Mr Terry Kofod, Head Teacher, Information Technology, TAFE NSW Illawarra Institute, 12 October 2015, p 29.

<sup>332</sup> Evidence, Mr Mark Powell, Teacher, Commercial Cookery, TAFE NSW Hunter Institute, 18 September 2015, p 39.

<sup>333</sup> Submission 59, Name suppressed, p 1.

enrolment day in 2015, telling the committee: 'It is fair to say our phones melted down on enrolment day from members phoning us really distressed about the debacle that they were trying to deal [with]'. Ms Sharkey explained that students were blocked from enrolling in courses and became frustrated and aggressive over the situation. She went on to say that, '[i]n my all time in TAFE I have never seen anything like it'.<sup>334</sup>

**7.12** Numerous other inquiry participants shared similar experiences with the committee and discussed their concerns about the roll-out of SALM/EBS and the ongoing issues with the system.<sup>335</sup>

**7.13** The committee was also informed of the NSW Auditor-General's damning findings in a performance audit on the Department of Education and Communities' Learning Management and Business Reform program. The Auditor-General made the following comments upon the release of his report:

The Department has not effectively managed the planned outcomes and benefits for the LMBR program. Importantly, it cannot accurately report on the value of the benefits achieved. ... The Department has not been able to demonstrate that benefits are achievable, as it has not validated the quantity, value or type of benefits. ... The governance and program management for the LMBR program have not been fully effective. This is despite the Department investing significant time and resources into developing the governance and program management arrangements for the program.<sup>336</sup>

### **The government's response**

**7.14** The Minister for Skills, the Hon John Barilaro MP, acknowledged in his evidence to the committee that 'there have been issues around the ... Student Administration and Learning Management system'.<sup>337</sup>

**7.15** Similarly, Ms Pam Christie, Managing Director of TAFE NSW, admitted that there were problems with the SALM/EBS system when it was released, explaining that the system could not be fully tested prior to its release:

We did experience significant problems with the new system. When it was delivered during the warranty period we had not tested the full enrolment cycle because it was not a period where the full enrolment cycle could be tested and as a result we have found that we had a number of defects occurring in the system that meant that it continued to be unstable for some period of time. The situation did have an impact on our students and our staff and that was acknowledged. I made a public apology to

<sup>334</sup> Evidence, Ms Maxine Sharkey, Assistant General Secretary, New South Wales Teachers Federation, 22 September 2015, p 45.

<sup>335</sup> See, for example, Submission 42, Name suppressed, p 7; Submission 268, Ms Lorraine Watson, pp 14-15; Submission 71a, Name suppressed, p 1; Submission 6, Mr Paul Theodore Bazelmans, p 1; Submission 152, Ms Robyn Urquhart, p 2.

<sup>336</sup> Submission 268, Ms Lorraine Watson, pp 14-15, quoting Audit Office of New South Wales, *Media Release: Auditor-General's Report: Learning Management and Business Reform (LMBR) program*, December 2014, p 1.

<sup>337</sup> Evidence, Hon John Barilaro MP, Minister for Skills, 22 September 2015, p 32.

students and staff at that time and we have put in place a series of strategies and resources to support our students and staff as much as we possibly can.<sup>338</sup>

- 7.16** Ms Christie further explained that the system had not originally been designed to meet the requirements of Smart and Skilled, ‘because the business requirements were specified before the Smart and Skilled requirements were known’. She said that there was little time to adjust to the Smart and Skilled environment and added, ‘I guess we knew we would be facing a challenge in the enrolment period’.<sup>339</sup>

### **Impact of SALM/EBS on staff and students**

- 7.17** The committee heard evidence from a number of inquiry participants about how the implementation of the SALM/EBS system had an immediate impact on TAFE staff and students. As outlined below, some of these impacts included increased workload, pressure, stress and emotional turmoil for staff, as well as difficulties in enrolment and delays in receiving results for students.

- 7.18** Ms Henigan, a strident critic of the SALM/EBS system, outlined for the committee some of the consequences of implementation for staff:

There is nothing more demoralizing for staff who are committed to quality work than operating within a system that doesn’t work ... I am watching skilled and experienced Head Teachers, in particular, crushed by the weight of workload and discouragement.<sup>340</sup>

- 7.19** When Ms Henigan was asked by the committee about the additional workload that SALM/EBS had imposed on staff, she replied ‘I would still say on average it has added 15 hours a week to a full-time staff member’.<sup>341</sup> She further expanded on her own increased workload in 2015 as a result of SALM/EBS, noting: ‘I would have spent 85 hours this year simply setting up SALM, whereas last year it would have taken me about 4-6 hours’.<sup>342</sup>

- 7.20** Mr Edward Clapham, Head Teacher of Carpentry at the TAFE NSW Illawarra Institute, similarly told the committee of the extra work and anxiety he had experienced following the introduction of the new system:

I have worked an enormous number of hours to get up to speed with this. Dead set, I was having anxiety attacks. I still lie awake at night, thinking about registered numbers and SALM TPL codes. It drives me nuts.<sup>343</sup>

- 7.21** Ms Lorraine Watson, a Teacher Consultant at the TAFE NSW Illawarra Institute and Representative of the New South Wales Teachers Federation, stated that head teachers

<sup>338</sup> Evidence, Ms Christie, 22 September 2015, p 18.

<sup>339</sup> Evidence, Ms Christie, 22 September 2015, p 18.

<sup>340</sup> Submission 159, Ms Liz Henigan, p 3.

<sup>341</sup> Evidence, Ms Liz Henigan, Head Teacher, Community Services, Human Services, Tourism and Hospitality, TAFE NSW, Illawarra Institute, 12 October 2014, p 6.

<sup>342</sup> Submission 159a, Ms Liz Henigan, p 10.

<sup>343</sup> Evidence, Mr Edward Clapham, Head Teacher, Carpentry, TAFE NSW, Illawarra Institute, 12 October 2014, p 7.

regularly complained about the time spent 'preparing and uploading course information to the website only for this to randomly disappear so prospective students are not able to see the course options'.<sup>344</sup>

- 7.22** Ms Watson also noted the impacts on students, many of whom were unable to enroll due to problems with the SALM/EBS system and the consequences this had for students in receipt of Centrelink benefits:

Another problem with the SALM/EBS system was that the gross failure of this system resulted in huge numbers of students not being able to complete the TAFE enrolment process leaving many students attending courses without being formally enrolled. One of the associated problems with this has been that many students were threatened by Centrelink that they would lose their benefits because they could not produce evidence of their enrolment in a course of study.<sup>345</sup>

- 7.23** The Open Training and Education Network (OTEN) is a specialist online/distance education provider of vocational training. The OTEN Branch of the TAFE Teachers Association explained that students at OTEN were particularly affected by the difficulties presented by SALM/EBS because, as an online provider, there was no manual workaround available:

Students had difficulty enrolling and re-enrolling [which] resulted in fewer enrolments and inability to log into our online learning site and continue with or commence studies whereas in colleges students were allowed to attend class and have enrolment sorted out later. Many of these issues are still not resolved as enrolled and financial students are randomly made unfinancial and denied access to their online learning much to everyone's frustration.<sup>346</sup>

- 7.24** In addition to the difficulties with enrolling students and accessing online learning, the committee was also informed by a number of inquiry participants that the SALM/EBS system led to incorrect results being recorded for some students and delays in results being sent to students at the end of the semester.<sup>347</sup>
- 7.25** Through their submission to this inquiry, the OTEN Branch of the TAFE Teachers Association provided the committee with the results of a staff survey about the impact of the SALM/EBS system on staff. The following case study sets out some of the results of this survey.

<sup>344</sup> Submission 268, Ms Lorraine Watson, p 6.

<sup>345</sup> Submission 268, Ms Lorraine Watson, p 11.

<sup>346</sup> Submission 262, OTEN Branch, TAFE Teachers Association, p 2.

<sup>347</sup> Submission 59, Name suppressed, p 1; Evidence, Ms Sharkey, 22 September 2015, p 45; Evidence, Mr Mark Jewell, Disability Consultant, TAFE NSW North Coast Institute, 11 September 2015, p 2.

### **Case study: Survey of OTEN staff conducted by the OTEN Branch of the TAFE Teachers Association**

The OTEN branch of the TAFE Teachers Association conducted a survey of members at OTEN. The survey received 73 responses from a group of teachers, managers and equity staff.

The results of the survey found that ‘over 95 per cent of respondents reported that their work related stress has increased since the introduction of EBS and Smart and Skilled’, while 75 per cent of respondents indicated decreased work satisfaction.<sup>348</sup>

The survey also found that ‘all indicators of stress, physical, psychological and behavioural were in the high risk range for adverse health consequences’.<sup>349</sup>

The survey asked what impacts the SALM/EBS system has had on staff members and their colleagues. Below is a selection of the responses received.

- ‘The introduction of EBS and S&S has had a huge impact – the problems are non-stop’.
- ‘There has been a GREAT increase in frustration and stress in my job over the last 6 months’.
- ‘The stress from TAFE at the moment is a major concern to my health. I feel very stressed and often sick on my way to work’.
- ‘This has been the most stressful and demoralising year at work. Morale is at an all-time low and there is no indication that anything will change soon’.
- ‘This has been the worst year I have ever worked at TAFE’.
- ‘It seems there is a sad mood has landed in the workplace and it doesn’t look like it will be leaving very soon’.<sup>350</sup>

**7.26** In his evidence to the committee, Minister Barilaro thanked staff at TAFE for their efforts in addressing issues when the system had failed, telling the committee:

There have been significant issues, and I take this opportunity to thank all the staff who have managed the situations where the IT system has failed. I thank them for all their efforts to look after the students.<sup>351</sup>

### **When was TAFE aware of the problems and what is happening now?**

**7.27** The committee sought information from a range of witnesses about when they first became aware of the problems with the SALM/EBS system. As discussed below, it appears that many staff became aware of issues as soon as they started using the system, while the government may have known there would be problems even before SALM/EBS was released.

**7.28** A number of teaching staff from the TAFE NSW Illawarra Institute, such as Ms Henigan, Mr Bourke and Ms Watson, advised the committee that they became aware of some issues

<sup>348</sup> Submission 262, OTEN Branch, TAFE Teachers Association, Attachment 3, p 1.

<sup>349</sup> Submission 262, OTEN Branch, TAFE Teachers Association, Attachment 3, p 2.

<sup>350</sup> Submission 262, OTEN Branch, TAFE Teachers Association, Attachment 3, pp 12-15.

<sup>351</sup> Evidence, Mr Barilaro, 22 September 2015, p 32.

within weeks of the launch of the SALM/EBS system.<sup>352</sup> Ms Watson further noted that the issues with enrolment became apparent at the start of 2015 when students were trying to enrol.<sup>353</sup>

**7.29** The New South Wales Teachers Federation informed the committee that it had become aware of potential issues with SALM/EBS prior to the launch in October 2014. The federation suggested it ‘would have been clear to the Government that it was not ready’.<sup>354</sup>

**7.30** This evidence appeared to be corroborated by the Managing Director of TAFE NSW, Ms Pam Christie, who advised the committee that TAFE was aware in early 2014 that ‘there was some risk associated with proceeding with a late delivery of a solution so close to the implementation of other changes’.<sup>355</sup>

**7.31** However, Ms Christie also explained that TAFE went ahead with the implementation, despite being aware of some risks, because the legacy systems were ‘overdue for a refresh’ and would not have been fit for purpose after the introduction of Smart and Skilled. Ms Christie further advised that TAFE had provided the then Minister with weekly reports about issues with the EBS/SALM system from early 2015.<sup>356</sup>

**7.32** As noted earlier, Ms Christie accepted that there had been significant problems with the SALM/EBS system once it was rolled out. She stated that some of these problems had been addressed, such as the problem with issuing student results (known as testamurs), but conceded that other ongoing problems remained unresolved:

I can say that although there was a problem initially with the issuing of testamurs, that was very quickly resolved and I can confidently say that all students did receive their correct testamurs and we have not had an ongoing problem with testamurs for our vocational education and training students ... but there certainly have been some ongoing issues with other aspects of the system, particularly as they relate to the Smart and Skilled requirements.<sup>357</sup>

**7.33** Ms Christie said that the efforts to fix the system were ongoing, noting that ‘while the system is somewhat more stable now, there are still gaps in the functionality of the system’.<sup>358</sup>

**7.34** The New South Wales Teachers Federation asserted that a ‘myriad of serious flaws in the system’ had not yet been resolved.<sup>359</sup>

**7.35** In response to such concerns, the committee asked Minister Barilaro what had been done to address the issues with SALM/EBS and what the Minister was planning to do in the future.

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<sup>352</sup> Evidence, Ms Henigan, Mr Keith Bourke, Teacher Consultant, and Ms Lorraine Watson, Teacher Consultant, TAFE NSW Illawarra Institute, 12 October 2014, pp 6, 31.

<sup>353</sup> Evidence, Ms Watson, 12 October 2014, p 31.

<sup>354</sup> Evidence, Mr Rob Long, Post Schools Organiser, New South Wales Teachers Federation, 12 October 2014, p 7.

<sup>355</sup> Evidence, Ms Christie, 22 September 2015, p 19.

<sup>356</sup> Evidence, Ms Christie, 22 September 2015, p 18-20.

<sup>357</sup> Evidence, Ms Christie, 22 September 2015, p 18.

<sup>358</sup> Evidence, Ms Christie, 22 September 2015, p 18.

<sup>359</sup> Submission 147, New South Wales Teachers Federation, p 8.

The Minister stated that TAFE would continue to work with the provider to fix the ongoing problems and would ensure there were sufficient support for staff in place to manage any issues:

There have been a number of patches created to fix some of the problems. We will continue to encounter problems. I do not pretend that we will be able to fix this overnight. We are putting in the resources. ...

Further to that, as we embark on the next round of enrolments and the period of graduations et cetera we will have the human resources in place. I have spoken with the managing director to make sure that we have all the support in place to work through issues so that we do not have to endure what we had to endure earlier this year.<sup>360</sup>

- 7.36** The Minister also noted that a Chief Information Officer had been appointed in TAFE to ‘oversee the IT component and to make sure that we are ahead of the game and understand where the problems are’. When asked further about this position, the Minister confirmed that the Chief Information Officer was a new position, first appointed in ‘April or May this year’, and there was previously no Chief Information Officer within the TAFE system.<sup>361</sup>
- 7.37** The committee also heard evidence from the TAFE NSW Western Institute executive that they had been able to make the system work for them, with some difficulty, and at some opportunity cost using their existing interfaces and platforms. Their experience was able to minimise any impact on students and enrolments and should be reviewed to see how their experience can assist other institutes.

### **Access to course, fee and enrolment information**

- 7.38** Finding out information about TAFE courses, fees and enrolment is likely to be the first step any prospective student will take when considering undertaking studies at TAFE NSW. During the inquiry, the committee heard that finding the required information is not always a straightforward process, and the ongoing problems with SALM/EBS have complicated the task even further.
- 7.39** A number of stakeholders raised concerns about the accessibility of TAFE course and enrolment information. The New South Wales Teachers Federation, for example, told the committee that many courses are not advertised on the TAFE website, ‘which means many potential students are unable to access correct information about courses being offered’. The Teachers Federation argued that this was leading to a loss of potential enrolments at TAFE.<sup>362</sup>
- 7.40** Southern Youth and Family Services indicated that both the TAFE website and the Australian Government’s MySkills website were difficult for young people and even experienced staff to navigate to find out information about courses:

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<sup>360</sup> Evidence, Mr Barilaro, 22 September 2015, p 32.

<sup>361</sup> Evidence, Mr Barilaro, 22 September 2015, p 32.

<sup>362</sup> Submission 147, New South Wales Teachers Federation, p 8.

The young people with whom we work, and indeed even the staff, have had difficulty in gaining accurate information about courses that are offered, appropriate VET providers and course fees. The staff and young people report that the MySkills website is hard to navigate and when doing searches, often brings up inaccurate information. For example a search for courses around the Wollongong area can produce a list of providers in Central Sydney, even though on further research, courses can be found in neighbouring LGA's such as Campbelltown. Young people have identified courses and providers, but then have not been able to gain accurate information on the course fees, frequently receiving the message to contact the provider. ... Young people have reported similar issues when accessing the TAFE website.<sup>363</sup>

- 7.41** The Chief Executive Officer of Southern Youth and Family Services, Ms Narelle Clay, expanded on these comments when appearing at a public hearing in October 2015, explaining to the committee that it was difficult for many young people to access accurate information, and even she had difficulty trying to so:

I am a teacher, I am actually teacher trained in terms of working at TAFE as well, and I run an agency. I am not silly, and I cannot do it. I find it difficult; it changes; it is complex. ... We understand from what some of the young people say that it is hard to find the particular service provider or campus where the course is at.<sup>364</sup>

- 7.42** This view was shared by Mr Tim Andrews, TAFE Counsellor at TAFE NSW Hunter Institute, who noted that the information on the TAFE website is complex and requires some experience to navigate properly:

If you look at the Hunter TAFE website you will see that even to the uninitiated it is a complex piece of information. Sometimes it takes a bit of nous and experience to surf that website. One of the TAFE counsellors' roles is to sit down with people and look at our TAFE courses on offer. We research the courses so as to help prospective students to make an informed choice so that when they enrol at TAFE they know they are doing the right course for the right reasons at the right time. People who do not access such a service as mine and just look at a plethora of information by themselves without professional guidance can easily be conned, so to speak.<sup>365</sup>

- 7.43** Other stakeholders noted that some course information did not appear on the TAFE website at all due to problems caused by the SALM/EBS system. Ms Watson, for example, indicated that there were problems with uploading course information onto the website, which prevented prospective students from being able to access the information online.<sup>366</sup> The committee heard similar evidence from Mrs Catherine Cavanagh.<sup>367</sup>
- 7.44** Ms Watson stated that another major problem was the difficulty in accessing accurate information about the fees for courses. Ms Watson claimed that the 'fee structure that is

<sup>363</sup> Submission 126, Southern Youth and Family Services, p 2.

<sup>364</sup> Evidence, Ms Narelle Clay, Chief Executive Officer, Southern Youth and Family Services, 12 October 2015, p 12.

<sup>365</sup> Evidence, Mr Tim Andrews, TAFE Counsellor, TAFE NSW Hunter Institute, 18 September 2015, p 42.

<sup>366</sup> Submission 268, Ms Lorraine Watson, p 6.

<sup>367</sup> Submission 211, Mrs Catherine Cavanagh, p 1.

operating under Smart and Skilled is very complicated and has been a nightmare for administration staff, teachers and staff to navigate'.<sup>368</sup> Ms Watson illustrated her point with the following example:

I am personally aware of a number of students who have disabilities who applied online to undertake TAFE courses who received a print out from the TAFE NSW Course Cost Calculator stating that they would be required to pay \$0.00 fees who later received letters demanding fees. One such student received a bill for \$15,500 and at this time, over 6 months after he commenced his course, the matter is still to be resolved.<sup>369</sup>

- 7.45** More generally, the TAFE Community Alliance argued that the Smart and Skilled changes had created a 'massive and intimidating barrier of "red tape" for disadvantaged learners'. It stated that potential students were no longer able to make simple enquiries about enrolling in a course 'without having to first answer a barrage of confusing entitlement-related questions about their citizenship status, educational qualifications, and any disabilities'. The alliance claimed that it had had several students walk out in frustration at this process, and suggested that the new system had 'removed educational appropriateness from the enrolment process, and replaced it with interrogation about administrative entitlement'.<sup>370</sup>
- 7.46** In the past, TAFE NSW produced handbooks which provided information about all of the courses that were on offer across New South Wales. These handbooks included information about the cost of courses and eligibility criteria to gain entry to the course, along with other details such as the subjects covered and number of course hours per week.<sup>371</sup>
- 7.47** Ms Watson informed the committee that the handbooks had ceased to be published, indicating that the purported rationale for ceasing production of hard copy handbooks was that the information could be found online on TAFE's website. Ms Watson also told the committee that Course Information Officer positions had been lost in recent years due to the introduction of online information.<sup>372</sup>
- 7.48** To address concerns about access to information and improve the current system, Mr Mark Sewell, Chief Executive Officer of the Warrigal Centre, recommended that the government consider implementing 'much simpler online and hardcopy information to use, with a one-stop shop info and enrolment line that has people at the end of the phone to guide and assist people'.<sup>373</sup>

## Committee comment

- 7.49** The committee received a proliferation of evidence demonstrating the deficiencies associated with the implementation and ongoing use of TAFE NSW's SALM/EBS system. We find this situation deeply disturbing.

<sup>368</sup> Submission 268, Ms Lorraine Watson, p 6.

<sup>369</sup> Submission 268, Ms Lorraine Watson, p 6.

<sup>370</sup> Submission 185, TAFE Community Alliance, p 12.

<sup>371</sup> Submission 268, Ms Lorraine Watson, p 5.

<sup>372</sup> Submission 268, Ms Lorraine Watson, p 5.

<sup>373</sup> Evidence, Mr Mark Sewell, Chief Executive Officer, Warrigal Centre, 12 October 2015, p 20.

- 7.50** The introduction of the SALM/EBS system can only be described as a failure, causing significant and ongoing problems for staff and students. The government was aware, prior to the introduction of the new system, that there would be problems. Yet because of a lack of adequate planning and management, the government appears to have been slow to provide resources and support when those problems eventuated. The fact that there was no Chief Information Officer in place at the beginning of the year to oversee the introduction of such a significant change to TAFE's operating systems, demonstrates this.
- 7.51** The burden of the botched SALM/EBS roll-out has ultimately fallen on TAFE staff and students. Like Minister Barilaro, the committee wishes to acknowledge the tremendous dedication and commitment demonstrated by TAFE staff over the past year, in what have been enormously trying circumstances. They have taken on a significant additional workload, often unpaid, to minimise the impact on students.
- 7.52** Ms Christie's admission in September 2015 that the SALM/EBS system was 'somewhat more stable now' but that 'there are still gaps in the functionality of the system' is hardly a ringing endorsement and signals a lack of confidence that this system can be made to work. The committee is encouraged by the Minister's willingness to acknowledge the problems and openness in working to address those problems.
- 7.53** It is clear that TAFE NSW needed to introduce a new IT system to support Smart and Skilled. However, the committee can reach no other conclusion than that the SALM/EBS system is so dysfunctional that it must be abolished. The government should go back to the drawing board.

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#### **Recommendation 14**

That the NSW Government abolish the SALM/EBS system used by TAFE NSW, and go back to the drawing board.

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- 7.54** In addition to the difficulties students experienced once they had decided to enroll in a particular course, students also found it difficult to access the highly complex TAFE NSW course, fee and enrolment information via the TAFE websites. We are concerned that this has acted as a barrier to students enrolling in TAFE NSW, particularly for disadvantaged students.
- 7.55** The committee urges TAFE NSW to improve and simplify the information available for students, including by providing hard copy information. We also believe that a one-stop shop phone line should be established, to guide existing and prospective students through the enrolment process.

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#### **Recommendation 15**

That TAFE NSW introduce simpler online and hard copy course, fee and enrolment information for students, and establish a phone line to guide students through the enrolment process.

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## Chapter 8 ‘Dodgy’ private providers, monitoring and regulation

This chapter focuses on concerns raised about the behaviour of, and quality of training delivered by, private registered training organisations. These concerns relate to the Australian Government’s VET FEE-HELP loan scheme, as well as the NSW Government’s Smart and Skilled reforms. The chapter also considers the mechanisms in place to monitor and regulate private training providers, both at the federal and the state level.

### Concerns about ‘dodgy’ private training providers

**8.1** The last few months have seen many prominent media stories about ‘dodgy’ private trainer providers engaging in unscrupulous marketing practices to sign up students for training courses. As discussed below, this appears to be linked more to the rapid expansion in government funding available under the Australian Government’s VET FEE-HELP scheme, rather than the introduction of Smart and Skilled in New South Wales.

#### Private providers receiving VET FEE-HELP funds

**8.2** The committee heard extensive evidence, both in submissions and during its public hearings, about the practices of some unscrupulous private training providers seeking to take advantage of the Commonwealth Government’s VET FEE-HELP loan scheme, which covers qualifications from Certificate IV to Advanced Diploma level. The committee heard that the practice of some providers is to sign up and enrol as many students as possible in courses they are often unsuited for, using agents that target vulnerable and disadvantaged communities by offering inducements such as ‘free’ laptops. Once the student is enrolled the Australian Government pays the provider to deliver the course, with students ultimately responsible for paying the money back to the government once their income reaches over \$54,000.

**8.3** The following are some typical comments made by stakeholders in this inquiry.

- ‘One of the unintended outcomes of VET FEE-HELP is that a large number of private providers immediately rushed into that market, putting a whole range of courses at diploma level that they are busily signing people up to’.<sup>374</sup>
- ‘In my capacity as a TAFE NSW Teacher Consultant for students with a disability, I am personally aware of individuals who have disabilities, that I would not recommend for a course above a Cert II level, who have been signed up by agents of private RTOs to enrol in Diplomas in Business and/or Diplomas in Management leaving them with VET Fee Help debts of in excess of \$35,000’.<sup>375</sup>
- ‘There have been instances where marketing campaigns, such as door-knocks and particularly those conducted “on-line” (many by overseas marketing agencies), have

<sup>374</sup> Evidence, Ms Katherine Nicholson, Post-Schools Organiser, New South Wales Teachers Federation, 11 September 2015, p 44.

<sup>375</sup> Submission 268, Ms Lorraine Watson, p 3.

attempted to encourage people to participate in courses by offering inducements such as free computers, iPads or tablets'.<sup>376</sup>

- 'Today I was told of a bunch of agents for some RTO who are doorknocking the town of Moree. People are lured into signing by the offer of a "learning device" aka a notepad. If they get a signee, that signee is then promised \$50 cash for every friend or family member they get to sign on the dotted line'.<sup>377</sup>
- 'There has been an emergence of third party operators whose role is to recruit individuals into courses for RTOs. This appears to be more evident in migrant communities where English is not the first language. There are also reports of third party "recruiters" door-knocking housing estates to recruit people into courses. Some of these recruiting practices have been linked to misinformation around VET Fee Help where people have been signed up to significant loans on various promises such as the government will pay for the loan'.<sup>378</sup>
- 'There always have been and always will be private providers, but in the past they were genuine businesses. Under this model they are start-ups because they are guaranteed direct Government funding. In many cases they are not genuine businesses'.<sup>379</sup>

**8.4** Ms Pat Forward, Federal TAFE Secretary and Deputy Federal Secretary, Australian Education Union, told the committee that the VET FEE-HELP scheme was introduced in 2008 and was modelled on the Higher Education Contribution Scheme, or 'HECS', for university students. However, she noted a key distinction: that vocational education and training fees – unlike university fees – are completely unregulated, leading to disproportionately high student debts for these courses:

[T]he only limit on what a provider can charge a student for a VET qualification is the approximately \$95,000 lifetime limit that students have on their loans. ... Unlike the higher education sector, fees are not regulated in vocational education.

If you want a back of the envelope comparison, the average cost ... of a three-year full-time undergraduate degree in universities is about \$25,000. That is what students under the HECS scheme borrow in order to do their degrees. We are now seeing across the country students being charged for their VET FEE-HELP qualifications, diplomas and advanced diplomas in some cases \$30,000, \$40,000 and \$50,000 ... In some cases it is for qualifications where the duration of learning ... in many cases it is for less than six months.<sup>380</sup>

**8.5** The Australian Government has recently admitted that there are serious problems with the VET FEE-HELP scheme. Federal Minister for Education and Training, Senator the Hon Simon Birmingham, acknowledged that the VET FEE-HELP scheme 'is growing at an

<sup>376</sup> Submission 144, Dr Don Gillies, pp 5-6.

<sup>377</sup> Submission 263, Name suppressed, p 3.

<sup>378</sup> Submission 198, NSW Migrant Resource Centre Forum, p 5.

<sup>379</sup> Evidence, Ms Maxine Sharkey, Assistant General Secretary, New South Wales Teachers Federation, 22 September 2015, p 48.

<sup>380</sup> Evidence, Ms Pat Forward, Federal TAFE Secretary and Deputy Federal Secretary, Australian Education Union, 18 September 2015, p 14.

unsustainable rate – from \$279 million of loans in 2012 to \$1.8 billion in 2014. We have seen too many training providers pursue aggressive growth strategies at the cost of quality training and good student outcomes’.<sup>381</sup>

**8.6** It has also been reported in the media that:

- VET FEE-HELP loans are on track to increase to \$2.75 billion in 2015<sup>382</sup>
- half of all students enrolled in diploma courses are dropping out of their studies<sup>383</sup>
- ‘six of the top ten’ organisations running Australian private colleges are under regulatory scrutiny or have been accused of questionable quality or marketing practices<sup>384</sup>
- a recent investigation by the Australian Skills Quality Authority found problems with two-thirds of private training providers it audited.<sup>385</sup>

**8.7** Recent changes to the VET FEE-HELP scheme passed by the Commonwealth Parliament are discussed below.

#### **Private providers receiving Smart and Skilled subsidies**

**8.8** As adverted to above, several witnesses in this inquiry emphasised that the problems with ‘dodgy’ providers have emerged largely as a result of the Commonwealth VET FEE-HELP scheme, rather than the NSW Government’s Smart and Skilled reforms.

**8.9** For example, Mr Peter McDonald, Executive Officer New South Wales and Australian Capital Territory, Australian Council for Private Education and Training, told the committee that private providers had to demonstrate a history of education delivery to be awarded a Smart and Skilled contract, and that ‘anything to suggest that there is an abundance of start-ups that got awarded a Smart and Skilled contract is an overstatement’.<sup>386</sup> Similarly, Mr Gary Redman, Chief Executive Officer of Training Experts Australia, gave evidence that:

In relation to Smart and Skilled, from my experience it is very difficult for even quality, long-term providers to get a meaningful contract, let alone a start-up to get a meaningful contract and grab the cash and run.<sup>387</sup>

**8.10** However, the committee also heard concerns expressed by stakeholders about the quality of training being delivered by private providers more generally, not just those taking advantage of the VET FEE-HELP scheme. For example, Ms Liz Henigan, Head Teacher, Community Services, Human Services, Tourism and Hospitality at the TAFE NSW Illawarra Institute, told

<sup>381</sup> *Australian Senate Debates*, Australian Senate, 1 December 2015, p 70 (Simon Birmingham).

<sup>382</sup> Natasha Bitá, ‘Clamp on private college loan costs’, *Weekend Australian*, 7 November 2015, p 7.

<sup>383</sup> Natasha Bitá, ‘\$1bn cost to budget of course dropouts’, *The Australian*, 29 October 2015, p 1.

<sup>384</sup> Nicola Berkovic, ‘Black mark for a third of private trainers’, *The Australian*, 5 November 2015, p 7.

<sup>385</sup> Josie Taylor, ‘Only 1 in 3 private training providers fully compliant, ASQA audit into VET FEE HELP scheme finds’, *ABC News Online*, 20 October 2015.

<sup>386</sup> Evidence, Mr Peter McDonald, Executive Officer New South Wales and Australian Capital Territory, Australian Council for Private Education and Training, 22 September 2015, p 64.

<sup>387</sup> Evidence, Mr Gary Redman, Chief Executive Officer, Training Experts Australia Pty Ltd, 22 September 2015, p 57.

the committee that in the fields of community services and aged care, she was aware of some providers engaging in so-called ‘tick and flick’ training:

I ... observe students who come from other RTOs, again just some, who join our groups and who are way, way behind the standard of our own students. They describe, “Well I really didn’t have to do any of that. They just saw me, talked to me and ticked it all off.” ... [T]hey have got the qualification, that is the heartbreaking part of it, but they have not got the skills and knowledge.<sup>388</sup>

**8.11** Similarly, Mr John Lamont, Managing Director of Nowra Chemical Manufacturers Pty Limited, a large employer in the Nowra area, gave evidence that in his experience, private providers ‘are very much budget focused and want to make sure their assessments are quick, on time and completed rather than looking at the actual skills the person was designed to take on’.<sup>389</sup>

**8.12** Another area where concern was expressed about the quality of training delivered by private providers was in relation to ‘Recognition of Prior Learning’. This is a common practice used by all providers, including TAFE institutes, in which skills and knowledge acquired outside a training course are counted for the purpose of recognising competencies within the course. Several inquiry participants gave evidence that private providers tend more readily to accept less reliable evidence of prior learning, with one submission stating that:

[P]rivate RTO’s have a propensity to accept very basic documents as ‘evidence’ of a Recognition of Prior Learning (RPL) on behalf of their students. Formal academic transcripts of previously completed studies can usually be relied upon but are then highly dependent on the accuracy of an RTO’s ‘mapping’ equivalent subject content across different qualifications. Validation of more informal documentation such as workplace reports, work samples and personal support statements can also be highly subjective and is prone to falsification. These types of supportive documents can be very difficult to properly authenticate as to their appropriateness in granting subject exemptions and advanced course standings and yet they are extensively promoted and used by RTO’s as being a desirable and appropriate form of evidence supportive of RPL.<sup>390</sup>

**8.13** On the other hand, the committee also heard evidence that such quality concerns apply only to a minority of private providers, with most being committed to delivering quality education and training. As Mr McDonald put it, ‘for-profit does not mean not-for-quality’.<sup>391</sup> The submission from the Australian Council for Private Education and Training also pointed out that:

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<sup>388</sup> Evidence, Ms Liz Henigan, Head Teacher, Community Services, Human Services, Tourism and Hospitality, TAFE NSW Illawarra Institute, 12 October 2015, p 4.

<sup>389</sup> Evidence, Mr John Lamont, Managing Director, Nowra Chemical Manufacturers Pty Limited, 12 October 2015, p 20.

<sup>390</sup> Submission 42, Name suppressed, p 3; See also Submission 154, Australian Education Union, Ryde TAFE Branch, p 6.

<sup>391</sup> Evidence, Mr McDonald, 22 September 2015, p 59.

In terms of ‘voting with their feet’, 45.3% of employers nationally use private training providers as their main provider of nationally recognised training compared to 16.7% for TAFE and 22.7% for professional or industry organisations.<sup>392</sup>

**8.14** During its public hearings, the committee heard from numerous providers and others about the benefits associated with private training providers and what they are able to offer, including:

- greater flexibility in meeting employer needs, such as delivering training in the workplace<sup>393</sup>
- strong relationships with employers of apprentices and trainees, to ensure that students are supported and any problems that arise are dealt with together<sup>394</sup>
- support for students with additional learning needs<sup>395</sup> and strong pastoral care programs<sup>396</sup>
- greater agility in meeting the training needs of existing workers that are upskilling or reskilling<sup>397</sup>
- commitment to delivering training to support the introduction of new business practices, new technology, and changes to regulations.<sup>398</sup>

**8.15** Mr Rod Camm, Chief Executive Officer, Australian Council for Private Education and Training, made the point that many people working at private training providers have deep roots in the education sector, and particularly in TAFE NSW: ‘Lots of them came out of the TAFE system where people with particular passions go out and set up their own college’.<sup>399</sup>

## Monitoring and regulation of training providers

**8.16** As noted in chapter 2, the quality and performance of training providers is monitored and regulated at the federal and the state level, through both the Australian Skills Quality Authority and under the contract provisions signed up to by Smart and Skilled providers.

<sup>392</sup> Submission 243, Australian Council for Private Education and Training, p 8.

<sup>393</sup> Evidence, Ms Leisa Harrison, Senior Manager, Essential Skills Training and Recruitment, 18 September 2015, p 32.

<sup>394</sup> Evidence, Ms Karen Kearns, Chief Executive Officer and Director of Studies, International Child Care College, 18 September 2015, p 30.

<sup>395</sup> Evidence, Ms Kearns, 18 September 2015, p 30.

<sup>396</sup> Evidence, Mr John Coyle, Director, Hunternet Group Training Company, 18 September 2015, p 30.

<sup>397</sup> Submission 196, Manufacturing Skills Australia, p 7.

<sup>398</sup> Submission 196, Manufacturing Skills Australia, p 8.

<sup>399</sup> Evidence, Mr Rod Camm, Chief Executive Officer, Australian Council for Private Education and Training, 22 September 2015, p 63.

### National regulation by the Australian Skills Quality Authority

- 8.17** The Australian Skills Quality Authority was established in 2011 following the decision of a number of states and territories, including New South Wales, to refer to the Commonwealth their power to regulate vocational education and training.<sup>400</sup> The object of establishing a national regulator was to streamline the regulation of vocational education and training, to increase consistency across the states and territories, and to address emerging quality concerns.<sup>401</sup>
- 8.18** The authority is responsible for regulating around 4,000 providers across Australia.<sup>402</sup> Its powers are set out in the *National Vocational Education and Training Regulator Act 2011* (Cth), and include:
- investigatory powers, such as powers to enter premises and seize documents
  - enforcement powers in relation to registered training organisations, such as powers to:
    - impose an administrative sanction – for example, to cancel registration, to suspend or amend the scope of registration, to shorten the period of registration or to give a written direction
    - impose a condition on registration
    - reject an application to renew registration.
- 8.19** The Australian Skills Quality Authority applies a risk-based approach to regulation, which means that it primarily focuses its efforts on assessing, and where necessary responding to, risks that may arise if a learner is judged competent without possessing the necessary skills and knowledge. Providers are assigned a risk rating as an indicator of the level of risk they present based on known data and regulatory history, and this informs the authority about how much regulatory scrutiny it needs to commit to the provider.<sup>403</sup>
- 8.20** In its submission to this inquiry, the Australian Skills Quality Authority informed the committee that:
- as at 31 March 2015, the authority has regulatory responsibility for 1,144 registered training organisations based in New South Wales
  - since 2011, the authority has made:
    - 27 decisions to cancel the registration of a New South Wales-based registered training organisation
    - 49 decisions to suspend the registration of a New South Wales-based registered training organisation
    - 165 decisions to issue a written notice of intention to cancel/suspend the registration of a New South Wales-based registered training organisation

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<sup>400</sup> Evidence, Mr David Collins, Executive Director, Market Quality and Operations, NSW Department of Industry, 22 September 2015, p 3.

<sup>401</sup> Submission 244, Australian Skills Quality Authority, p 1.

<sup>402</sup> Submission 244, Australian Skills Quality Authority, p 2.

<sup>403</sup> Australian Skills Quality Authority, *Risk-based regulation*, <http://www.asqa.gov.au/about/risk-based-regulation/risk-based-regulation.html>.

- 60 decisions to refuse the re-registration a New South Wales-based registered training organisation
- these decisions have affected a total of 135 New South Wales-based registered training organisations, representing 11.8 per cent of the overall number.<sup>404</sup>

**8.21** The authority's submission also stated that:

Given that NSW based RTOs represent 29.3% of the total number of RTOs regulated by ASQA nationally, ASQA believes that the level of regulatory activity undertaken in NSW to 31 March 2015 has been commensurate with the size and profile of the provider market in the jurisdiction.<sup>405</sup>

### Concerns about the national regulatory scheme

**8.22** A range of stakeholders expressed concerns about the adequacy of the national regulatory framework for vocational education and training, and doubts about the authority's ability to oversee so many providers. One issue raised was whether the authority had been adequately resourced, with Mr Nick Minto, Education and Training Policy Adviser, NSW Business Chamber, telling the committee that:

... ASQA was under-resourced when it first began operations. It was really struggling to keep up with audits and some of the reports that were coming through about behaviour of certain providers. Certainly it was beyond its capacity to address some of those issues at the time.<sup>406</sup>

**8.23** In relation to monitoring the quality of training being delivered, another inquiry participant commented that:

There is no possible way for ASQA (or any other agency for that matter) to have the capability in respect of a depth of technical knowledge and experience amongst its limited personnel to cover such a huge range of specific vocational areas. What is actually being provided is a simple validity check of the administrative documentation.<sup>407</sup>

**8.24** Noting that the authority has faced severe challenges in dealing with the abuse of the VET FEE-HELP scheme, an October 2015 report by the Australian Senate's Education and Employment References Committee concluded that 'there is every reason to doubt that ASQA is fit for purpose, and that the regulatory architecture of VET may need a revamp'.<sup>408</sup>

<sup>404</sup> Submission 244, Australian Skills Quality Authority, p 8.

<sup>405</sup> Submission 244, Australian Skills Quality Authority, p 8.

<sup>406</sup> Evidence, Mr Nick Minto, Education and Training Policy Adviser, NSW Business Chamber, 22 September 2015, p 97.

<sup>407</sup> Submission 42, Name suppressed, p 2.

<sup>408</sup> Education and Employment References Committee, Australian Senate, *Getting our money's worth: the operation, regulation and funding of private vocational education and training (VET) providers in Australia* (2015), p 3.

**8.25** In response to such concerns, the Australian Skills Quality Authority told this committee that it has recently taken action in relation to provider behaviour under the scheme, including implementing a five-day notice audit of 21 VET FEE-HELP providers, including five based in New South Wales. The authority also pointed to the following recent reforms to the scheme introduced by the Australian Government:

Significantly, the Commonwealth Government has implemented a number of reforms of the VET FEE HELP scheme, including amending the VET Guidelines 2015. The reform measures include:

- Banning inducements to students under the VET FEE-HELP scheme (effective 1 April 2015)
- Tightening VET marketing and recruitment practices (effective 1 July 2015)
- Improving the understanding of how VET FEE-HELP operates, and students' rights and obligations (effective 1 July 2015)
- Streamlining the debt waiver and revocation processes for students under VET FEE-HELP (1 January 2016)
- Strengthening the assessment criteria for, and ongoing scrutiny of, all training providers (1 January 2016)
- Introduction of new penalties for breaches of the VET Guidelines that include:
  - Ensuring that student VET FEE-HELP debt is incurred in line with course delivery and continued student participation, and not in one hit
  - Establishing minimum pre-requisite and prior education qualifications, including demonstrated literacy and numeracy requirements
- Enhancing training and outcomes information, allowing students to make more informed choices about training providers and courses (March 2015).<sup>409</sup>

**8.26** In addition, the committee heard the Australian Skills Quality Authority had recently received an additional \$48 million in funding. Mr Rod Cooke, Chief Executive Officer, Community Services and Health Industry Skills Council, commented that the funding boost means the authority is:

... having an impact and they are improving quality across the sector. I would say that ASQA is doing a good job and is improving year by year, and I think they will improve into the future as extra resources kick in and as their experience level picks up.<sup>410</sup>

**8.27** On 3 December 2015, the Commonwealth Parliament passed legislation intended to strengthen the VET FEE-HELP scheme, including:

- freezing government funding to training providers at 2015 levels
- requiring new VET FEE-HELP providers to have five years' experience and a proven track record in the qualification they propose to offer
- allowing the government to pause payments to providers of concern and to make quarterly payments in arrears to some providers, instead of advance payments

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<sup>409</sup> Submission 244, Australian Skills Quality Authority, pp 9-10.

<sup>410</sup> Evidence, Mr Rod Cooke, Chief Executive Officer, Community Services and Health Industry Skills Council, 23 September 2015, p 38.

- requiring VET FEE-HELP approved training providers to develop and apply appropriate student entry requirements
- requiring students under the age of 18 to seek their parents' approval before requesting a VET FEE-HELP loan
- broadening the circumstances in which a student can seek a re-credit of their VET FEE-HELP loan debt balance and remission of a debt
- providing for an infringement notice scheme with a civil penalty regime for providers who engage in inappropriate marketing behaviours and administrative practices
- extending the powers of the Australian Skills Quality Authority with respect to monitoring and investigation.<sup>411</sup>

**8.28** Minister Birmingham advised the Commonwealth Parliament that the Australian Government will 'seek to introduce a new model for VET FEE-HELP in 2017'.<sup>412</sup>

### **State regulation under Smart and Skilled provider contracts**

**8.29** As noted in chapter 2, in addition to regulation at the federal level, providers in receipt of Smart and Skilled funding are also subject to performance monitoring under their contracts with State Training Services. Mr David Collins, Executive Director, Market Quality and Operations, NSW Department of Industry, provided the committee with the following information about the state's performance monitoring framework:

The NSW Quality Framework includes levers to manage provider performance. We have a risk-based approach to performance monitoring to increase transparency and encourage best practice.

Performance monitoring for Smart and Skilled contractors includes:

- reviews of enrolment data and student records;
- telephone interviews with students;
- site visits to check training facilities and equipment; and
- the use of internal and external auditors.

Complaints regarding providers are directed to the Department [of Industry] for investigation and where appropriate are referred to Fair Trading NSW or to the Commonwealth Department of Education for VET Fee Help matters. Cases can also be referred to the Australian Skills Quality Authority (ASQA) for investigation.

The Smart and Skilled contract has enforceable sanctions for providers that are found to be non-compliant, which include withholding payments, removing allocations and suspension or termination of the contract, depending on the degree of non-compliance.<sup>413</sup>

<sup>411</sup> *Higher Education Support Amendment (VET FEE-HELP Reform) Bill 2015* (Cth).

<sup>412</sup> *Australian Senate Debates*, Australian Senate, 1 December 2015, p 70 (Simon Birmingham).

<sup>413</sup> Answers to questions on notice, Mr David Collins, Executive Director, Market Quality and Operations, NSW Department of Industry, 22 October 2015, pp 2-3.

- 8.30** Mr Collins also informed the committee that since the commencement of Smart and Skilled on 1 January 2015 and as at 6 October 2015, State Training Services has suspended the contracts of five providers, and terminated the contracts of eight providers. In addition, it has lifted the suspension of the contracts of eight other providers on the basis that sufficient evidence of contract compliance had been provided.<sup>414</sup>
- 8.31** Asked about the adequacy of the contractual monitoring and compliance framework under Smart and Skilled, Mr Philip Clark AM, Chair of the NSW Skills Board, commented that: ‘I think it could be improved. There is always room for improvement. It is the right basic starting point. It is the right mechanism’. He also noted that effectiveness of the mechanism will depend on whether it is ‘used appropriately’.<sup>415</sup>
- 8.32** In terms of cooperation between the state and federal levels, the committee was advised that a memorandum of understanding is in place between State Training Services and the Australian Skills Quality Authority which allows information to be shared, and that the two organisations meet regularly. The committee was also informed by Mr Collins that since 1 January 2015, State Training Services has referred a total of ten complaints to the Australian Skills Quality Authority, with five of these complaints relating to providers funded under Smart and Skilled, and the remaining five relating to other private providers.<sup>416</sup>

## Committee comment

- 8.33** The committee is alarmed by the evidence received in this inquiry about the behaviour of ‘dodgy’ training providers operating in New South Wales who are exploiting the VET FEE-HELP scheme at the cost of disadvantaged students.
- 8.34** An apparent increase in this type of unscrupulous behaviour, and the media attention surrounding it, has coincided with the introduction of Smart and Skilled this year. This may have helped fuel the perception that the majority of private providers behave this way, and that the contestable training market brought about under Smart and Skilled is to blame.
- 8.35** However, this is not the case. The practices of a small minority of private providers who engage in ‘tick and flick’ training are certainly not representative of the vast majority of providers in receipt of Smart and Skilled funding, who are committed to providing quality training to their students.
- 8.36** The committee welcomes the Australian Government’s recent changes to the VET FEE-HELP scheme. Some changes, such as the ban on inducements, are long overdue. However, more needs to be done to safeguard VET FEE-HELP against abuse by unscrupulous operators – as acknowledged by Minister Birmingham when he said that the Australian Government intends to introduce a new model for VET FEE-HELP in 2017. The committee urges the Australian Government to pursue the new model as a matter of urgency.
- 8.37** In addition, it is clear that the Australian Skills Quality Authority was not given sufficient resources to do its job when it was set up in 2011. As the national regulator responsible for

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<sup>414</sup> Answers to questions on notice, Mr Collins, p 1.

<sup>415</sup> Evidence, Mr Philip Clark AM, Chair, NSW Skills Board, 9 November 2015, p 8.

<sup>416</sup> Answers to questions on notice, Mr Collins, p 1.

overseeing over 1,000 providers in New South Wales alone, it is critical that the authority is adequately empowered and resourced to do this important work, particularly in dealing with ‘dodgy’ providers.

- 8.38** In the event that the Australian Skills Quality Authority doesn’t lift its game and finds itself unable to exercise its regulatory functions effectively, New South Wales may be forced to consider re-introducing a state-based accreditation system.

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### **Recommendation 16**

That the NSW Government lobby the Australian Government to:

- introduce a new model for VET FEE-HELP as a matter of urgency, with stronger safeguards against abuse
- ensure that the Australian Skills Quality Authority has adequate funding and powers to deal with ‘dodgy’ providers.

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- 8.39** The committee notes the evidence of Mr Clark, Chair of the NSW Skills Board, that the performance monitoring and compliance framework in place for the Smart and Skilled contracts is the right mechanism. However, as he also noted, its effectiveness will depend on whether that mechanism is appropriately used. As is often the case, the proof will be in the pudding.

- 8.40** The committee therefore encourages the NSW Government to look at ways of strengthening the contractual performance monitoring and compliance framework in place under Smart and Skilled. This should be done as part of the government’s Smart and Skilled review being overseen by the Skills Board.

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### **Recommendation 17**

That the NSW Government ensure that the Smart and Skilled review being overseen by the NSW Skills Board examines ways of improving the performance monitoring and compliance provisions in the Smart and Skilled contracts.

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- 8.41** The government should recognise that it has primary responsibility for regulating quality outcomes and ensuring contractual compliance for all providers in receipt of Smart and Skilled contracts. With this in mind, the committee believes that all Smart and Skilled contracts should include performance standards reflective of all the conditions contained in the Smart and Skilled Quality Framework, as well as the requirement for a provider to consent to any inspection by an authorised State Training Services agent, and any request for any document relevant to a State Training Services investigation.

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**Recommendation 18**

That the NSW Government recognise that it has primary responsibility for regulating quality outcomes and ensuring contractual compliance for all providers in receipt of Smart and Skilled contracts.

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**Recommendation 19**

That State Training Services include in all Smart and Skilled contracts:

- performance standards reflective of all the conditions contained in the Smart and Skilled Quality Framework
  - the requirement for a provider to consent to any inspection by an authorised State Training Services agent, and any request for any document relevant to a State Training Services investigation.
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- 8.42** In addition, State Training Services should, independently of the Australian Skills Quality Authority, develop an audit and compliance strategy that, throughout the course of a three-year contract, ensures that every provider is checked for contractual compliance, and continued compliance with the NSW Quality Framework.
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**Recommendation 20**

That independently of the Australian Skills Quality Authority, State Training Services develop an audit and compliance strategy that, throughout the course of a three-year contract, ensures that every provider is checked for contractual compliance, and continued compliance with the NSW Quality Framework.

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- 8.43** There are a number of additional options that the committee believes the NSW Government should investigate. First, it should investigate further compliance measures that may allow State Training Services to recover any student fee or contribution for any student found to have been adversely affected by a breach of a Smart and Skilled contract. Second, the government should investigate the option of banning any vocational provider from participation in the Smart and Skilled program if that provider, at any time, has been found to have unscrupulously offered any inducement to a student to enroll in a vocational education and training course. Finally, we believe the government should investigate the option of including in all Smart and Skilled contracts a termination clause that lets State Training Services terminate any contract if a contractor has been found to have unscrupulously offered any inducement to a student to enroll in a vocational education and training course while contracted to State Training Services.
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**Recommendation 21**

That the NSW Government investigate:

- further compliance measures that may allow State Training Services to recover any student fee or contribution for any student found to have been adversely affected by a breach of a Smart and Skilled contract
  - the option of banning any vocational provider from participation in the Smart and Skilled program if that provider, at any time, has been found to have unscrupulously offered any inducement to a student to enrol in a vocational education and training course
  - the option of including in all Smart and Skilled contracts a termination clause that lets State Training Services terminate any contract if a contractor has been found to have unscrupulously offered any inducement to a student to enroll in a vocational education and training course while contracted to State Training Services.
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## Chapter 9 Vocational education and training for school students

Vocational education and training is available to students in their senior years of secondary school in New South Wales. This chapter discusses the benefits for school students and the need for better promotion of vocational education and training as a career pathway. It also considers some of the challenges associated with delivering vocational education and training to school students, including high course costs and transport concerns. The chapter concludes by outlining the funding impact of the Smart and Skilled reforms, particularly on school-based apprenticeships and traineeships.

### Background

- 9.1** Vocational education and training is available to students in their senior years of secondary school in New South Wales. Students can undertake courses in a range of areas including business services, construction, electro-technology, primary industries, hospitality, childcare and retail services, all of which include a mandatory work placement component.
- 9.2** School students may study a vocational education and training course in one of three ways:
- by attending TAFE NSW or another offsite registered training organisation through a program known as ‘TVET’
  - by attending these courses at school, through a program known as VET in Schools, or ‘VETiS’
  - through school-based apprenticeships and traineeships.
- 9.3** The Board of Studies, Teaching and Educational Standards NSW (BOSTES) advised that approximately one third of years 11 and 12 students in New South Wales complete a vocational education and training course as part of their Higher School Certificate (HSC).<sup>417</sup> The Association of Independent Schools noted that while the primary motivation for secondary school students to undertake these courses is to gain a qualification, other significant factors include the availability of the course, course location and cost.<sup>418</sup>
- 9.4** Vocational education and training courses are ‘dual accredited’. This means students receive credit towards their Record of School Achievement (RoSA) or the HSC, in addition to working towards a qualification recognised under the Australian Qualifications Framework (Certificate or Statement of Attainment).<sup>419</sup> Additionally, while certain courses contribute to the Australian Tertiary Admissions Rank, others do not.<sup>420</sup>
- 9.5** BOSTES collaborates with the various school systems, TAFE NSW, industry and employer groups to ensure the vocational education and training curriculum provides high-quality courses that are appropriate for school-aged students.<sup>421</sup>

<sup>417</sup> Submission 237, Board of Studies, Teaching and Educational Standards NSW, p 7.

<sup>418</sup> Submission 229, Association of Independent Schools, p 8.

<sup>419</sup> Submission 237, Board of Studies, Teaching and Educational Standards NSW, p 3.

<sup>420</sup> Submission 237, Board of Studies, Teaching and Educational Standards NSW, p 5.

<sup>421</sup> Submission 237, Board of Studies, Teaching and Educational Standards NSW, p 3.

- 9.6** BOSTES advised that the vocational education and training components of a secondary student's course of study are regulated through the Australian Skills Quality Authority and the Australian Qualifications Framework. This means that registered training organisations, including approved secondary schools, delivering courses that contribute to the RoSA or the HSC must meet certain national standards.<sup>422</sup>
- 9.7** Funding for the TVET and VETiS programs is provided through the NSW Skills Board. The Chair of the NSW Skills Board, Mr Philip Clark AM, advised the committee that the board approves around \$11 million to \$12 million in funding each year.<sup>423</sup>

### **Role of vocational education and training for school students**

- 9.8** During the course of this inquiry, the committee heard evidence about the important role that vocational education and training can play for students while they are at school. In addition, several inquiry participants emphasised that vocational education and training must be better promoted as a post-school choice.

#### **Importance of vocational education and training for school students**

- 9.9** A number of stakeholders supported the provision of vocational education and training to school students.
- 9.10** For example, BOSTES stated that participating in these courses helps prepare students for further education, training and employment, and offers a pathway into a range of post-school opportunities.<sup>424</sup>
- 9.11** Likewise, the Association of Independent Schools asserted that 'the quality and value of VET courses undertaken while a student is at school directly assists many young people to make a successful transition from school to work, further education or training'.<sup>425</sup>
- 9.12** The Catholic Education Commission NSW commented that vocational education and training also fosters a student's intellectual, social and moral development and plays 'a unique role in providing flexible options which assist in preparing students for further study by motivating students to complete secondary education'.<sup>426</sup> Ms Sue Watts, VET Manager, Catholic Schools Office for the Diocese of Lismore, noted that these courses are particularly beneficial to students in regional and remote areas.<sup>427</sup>
- 9.13** Stakeholders, such as Mr Mark Jewell, Disability Consultant at TAFE NSW North Coast Institute, viewed TVET in particular as an opportunity for students to 'try before you buy',

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<sup>422</sup> Submission 237, Board of Studies, Teaching and Educational Standards NSW, p 4.

<sup>423</sup> Evidence, Mr Philip Clark AM, Chair, NSW Skills Board, 9 November 2015, p 15.

<sup>424</sup> Submission 237, Board of Studies, Teaching and Educational Standards NSW, p 3.

<sup>425</sup> Submission 229, Association of Independent Schools, p 7.

<sup>426</sup> Submission 178, Catholic Education Commission NSW, p 10.

<sup>427</sup> Evidence, Ms Sue Watts, VET Manager, Catholic Schools Office, Diocese of Lismore, 23 September 2015, p 52.

allowing them to then make an ‘informed choice’ about what they like and what they have an aptitude for in their career decisions.<sup>428</sup>

**9.14** However, other inquiry participants expressed doubts about the rigour of the training delivered by school-based programs such as school-based apprenticeships. For example, Mr Stephen Long from All Automotive Training, a private registered training organisation, asserted that ‘[f]ar too many students are being signed off as competent in [school-based apprenticeships] when they really have no comprehension of the subject and performance criteria within the competency’.<sup>429</sup>

**9.15** Mr Clark, Chair of the NSW Skills Board, also expressed a degree of caution about the outcomes associated with school-based vocational programs such as VETiS. He noted that there are a range of views among members of the board, and that the board’s secretariat will be conducting a research project on this in the next year:

Our secretariat is going to do a fairly detailed research study on it. A lot of research has been done on it. It needs to be pulled together and presented to us. There are different views. Some of my board members say that it is the best thing since sliced bread; others say it is a complete waste of money. I do not know, but I want to know.<sup>430</sup>

### **Promoting vocational education and training to school students**

**9.16** A number of stakeholders were concerned that vocational education and training is not adequately promoted as an option for students when they are considering the transition to work and study after school. This was attributed to a number of factors including the nature of the school system, the perception of vocational qualifications as being less desirable than university qualifications, the influence of family on a student’s career pathway, and the increase in the school leaving age.

**9.17** The NSW Business Chamber was particularly vocal on this issue, arguing that the secondary school system is ‘tailored’ towards the university pathway.<sup>431</sup> Mr Paul Orton, Director, Policy and Advocacy, NSW Business Chamber, asserted that the school system should re-evaluate how it prepares most students who do not go straight from school to university:

... we need to do a better job for the 60 per cent of kids who leave school but do not go straight to university ... this means looking at things like the structure of the final years of school, the curriculum itself, the leaving credential and the interaction between training and school education.<sup>432</sup>

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<sup>428</sup> Evidence, Mr Mark Jewell, Disability Consultant, TAFE NSW North Coast Institute, 11 September 2015, p 10; see also Evidence, Mr Graham Armstrong, Head Teacher, Automotive and Vehicle Repair, TAFE NSW North Coast Institute, 11 September 2015, p 10.

<sup>429</sup> Submission 121, All Automotive Training Services, p 3.

<sup>430</sup> Evidence, Mr Clark, 9 November 2015, p 15.

<sup>431</sup> Evidence, Mr Nick Minto, Education and Training Policy Adviser, NSW Business Chamber, 22 September 2015, p 90.

<sup>432</sup> Evidence, Mr Paul Orton, Director, Policy and Advocacy, NSW Business Chamber, 22 September 2015, p 89.

- 9.18** This argument was supported by Rural Skills Australia, which stated that the education and training system has ‘played favourites’ towards tertiary education and certain traditional trades, failing to appreciate that certain vocational qualifications are highly sought after.<sup>433</sup>
- 9.19** Similarly, Mr Greg Holihan, Head Teacher, Horticulture, TAFE NSW North Coast Institute, said that the reasons more students were not pursuing vocational education and training were ‘complex’, and may include the increase in the school leaving age and the ‘lowered’ reputation of trades.<sup>434</sup>
- 9.20** Other inquiry participants expressed concern about the perception of vocational education and training in the community more broadly.<sup>435</sup> For example, Ms Kerrin McCormack observed that some people do not realise that completing a vocational course results in a quality-assured Australian Qualifications Framework qualification.<sup>436</sup> Ms McCormack described it as a ‘major sales pitch’ to change perceptions towards vocational qualifications.<sup>437</sup> Likewise, the Association of Independent Schools stated ‘[p]romotion of the tangible benefits of VET for school students, to parents, school communities and employers is an area for ongoing development’.<sup>438</sup>
- 9.21** A number of stakeholders viewed careers advisors in secondary schools as vital to making vocational education and training more attractive as a post-school choice. For example, Mr Orton supported improving the careers advice available to students to ensure they can make more informed decisions about their training and careers:
- We would advocate that careers advice needs to be looked at and better use made of groups that already exist and are best placed to provide at least part of this advice. We reckon there is a need to improve the fit between people and careers and between training and the jobs outlook.<sup>439</sup>
- 9.22** Similarly, the Catholic Education Commission remarked it is ‘essential’ that career guidance in schools encourages students to explore the career pathways available to them, together with the direct and indirect pathways through and between tertiary education providers.<sup>440</sup>
- 9.23** Other stakeholders acknowledged and promoted the role that industry can play in informing students’ decisions about vocational education and training. Consulting with industry was seen as a means of ensuring that vocational qualifications adequately equip students with the skills and capabilities required in their desired career. For example, the Australian Industry Group observed that schools and industry need to forge strong partnerships to assist students transition into their desired vocational pathway:

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<sup>433</sup> Submission 246, Rural Skills Australia, p 4 and pp 2-3.

<sup>434</sup> Evidence, Mr Greg Holihan, Head Teacher, Horticulture, TAFE NSW North Coast Institute, 11 September 2015, p 11.

<sup>435</sup> See, for example, Submission 178, Catholic Education Commission NSW, p 10.

<sup>436</sup> Evidence, Ms Kerrin McCormack, Private individual, 23 September 2015, pp 61-62.

<sup>437</sup> Evidence, Ms McCormack, 23 September 2015, p 70.

<sup>438</sup> Submission 229, Association of Independent Schools, p 7.

<sup>439</sup> Evidence, Mr Orton, 22 September 2015, p 89.

<sup>440</sup> Submission 178, Catholic Education Commission NSW, p 10.

One of the barriers to participation in VET relates to a lack of career information on VET courses when the students are at school ... It requires strong partnerships between school and industry to improve the quality of information that schools can provide to their students so that they make decisions about subject choice that broadens the options for them post-school, particularly around the minimum literacy and numeracy requirements to enter some VET courses.<sup>441</sup>

- 9.24** The Community Services and Health Industry Skills Council and Rural Skills Australia also encouraged industry to participate in discussions about student pathways to employment or further education.<sup>442</sup>
- 9.25** One area where it was suggested industry could play a greater role is in educating students about the skills and capabilities required to do certain jobs. For example, the Australian Industry Group stated that a key reason why students do not complete apprenticeships or traineeships is because they are unaware of what the job entails before embarking on that pathway.<sup>443</sup> To overcome this issue, the Australian Industry Group supported greater collaboration between industry and schools to ensure students are aware that an apprentice entering a traditional trade needs a certain level of mathematics.<sup>444</sup>
- 9.26** The NSW Government acknowledged that students need exposure to career options prior to undertaking a traineeship or apprenticeship. To that end, the Hon John Barilaro MP, Minister for Skills, advised that the government is investing \$10 million in 2015-2016 to assist school leavers to undertake pre-traineeship and pre-apprenticeship courses:

NSW Government will invest \$10 million in 2015-16 to help school leavers start their career through free pre-traineeship and pre-apprenticeship courses. Our investment will help up to 2,000 students find a career that suits them and increase the likelihood of completing a subsequent traineeship or apprenticeship.<sup>445</sup>

## Challenges in delivering vocational education and training to school students

- 9.27** During the inquiry stakeholders observed that high course costs and issues surrounding transport were key challenges in providing vocational education and training to school students, in particular through TVET and VETiS. The following section considers these concerns.

### Costs of TVET and VETiS

- 9.28** A number of stakeholders expressed concern about the costs associated with offering vocational education and training to school students. The NSW Secondary Principals Council noted a range of factors affecting affordability:

<sup>441</sup> Submission 186, Australian Industry Group, p 8.

<sup>442</sup> Submission 234, Community Services and Health Industry Skills Council, p 3; Submission 246, Rural Skills Australia, p 4.

<sup>443</sup> Evidence, Ms Gail Silman, Education and Training Advisor, Australian Industry Group, 23 September 2015, p 43.

<sup>444</sup> Evidence, Ms Silman, 23 September 2015, p 42.

<sup>445</sup> Answers to questions on notice, Hon John Barilaro MP, Minister for Skills, 21 October, p 2.

Training and accreditation of teachers; building and maintenance of the facilities needed to run courses; charges set by external providers including TAFE; transport; work placement costs and the cost of compliance through external and internal audits all impact on the affordability of VET delivery.<sup>446</sup>

**9.29** In relation to the TVET program, the committee was informed that each school system – public and private – receives government funding for TVET through the NSW Skills Board. However, as the funding does not cover the entire cost of each course the school systems determine how to make up the shortfall.

**9.30** The NSW Secondary Principals Council advised that public school students are not charged for attending TVET courses; rather the student's school absorbs the cost of the course by transferring teaching time to TAFE:

Students attending TVET courses currently do not get charged for the course ... but their school is charged for the course through the transfer of teaching time to TAFE. This staffing transfer is passed to TAFE centrally to run the course.<sup>447</sup>

**9.31** The NSW Secondary Principals Council elaborated on the implications of this arrangement:

Students in Year 11 must do 12 units to satisfy the requirements for a preliminary HSC. In Year 12 they must do a minimum of 10 units. If a student does 2 or 4 units of TVET in Year 11 or 12 then the school loses the staffing for the 2 or 4 units to TAFE. If however the student does the TAFE units on top of the 12 units in Year 11 or the 10 units in Year 12, the school still loses the staffing even though the student is full time at the school.<sup>448</sup>

**9.32** The NSW Secondary Principals Council noted that this arrangement is problematic if a student enrolled in TVET decides to discontinue the course and returns to school full time, as the school has to accommodate them but does not get back the lost units of staffing already reallocated to TAFE.<sup>449</sup>

**9.33** In contrast, in the private school system schools do not absorb the cost of vocational education and training but instead make up any funding shortfall by charging parents an additional fee on top of a student's tuition. The Association of Independent Schools provided details about how its schools fund TVET through a mix of funding from the NSW Skills Board and fees covered by parents:

Independent schools are invoiced for course costs near the end of each study year ... The majority of schools accessing TAFE-delivered VET are low fee paying schools and it is not always within the school budget to absorb the cost. The NSW Skills Board provides annual funding to AISNSW [Association of Independent Schools of New South Wales] to support student access to TAFE delivered VET by independent school students. The annual funding provides critical financial support that would otherwise be unavailable and is used as a subsidy to support the cost of a TVET

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<sup>446</sup> Submission 21, NSW Secondary Principals Council, p 2.

<sup>447</sup> Submission 21, NSW Secondary Principals Council, p 2.

<sup>448</sup> Submission 21, NSW Secondary Principals' Council, pp 2-3.

<sup>449</sup> Submission 21, NSW Secondary Principals' Council, p 3.

course and also the cost of VET courses delivered by other RTOs. Where schools are unable to absorb course costs, even with a subsidy, outstanding course costs are typically borne by parents.<sup>450</sup>

**9.34** The Association of Independent Schools commented that 'TVET course costs are a 'consistent issue' for independent schools and students' parents.<sup>451</sup>

**9.35** The Catholic Education Commission also receives funding for TVET and passes on part of the costs to students in the form of additional fees.<sup>452</sup> Mr Ian Baker, Director of Education Policy and Programs at the Catholic Education Commission NSW, highlighted the different approaches between public and private schools in respect to covering TVET fees:

There is more than one way to skin the costings cat. We pass on part of the cost as a co-contribution, and are very sensitive to equity issues. Government schools have decided to absorb the cost by reducing staffing. We do not think that is a good way to do it but that is the way the government schools have done it, and we acknowledge that it is a cost.<sup>453</sup>

**9.36** Similarly, the Sydney Anglican Schools Corporation commented that: 'students in independent schools who wish to add TVET courses to their program through TAFE face substantial fees for many courses that schools add to their other private tuition'.<sup>454</sup>

**9.37** In relation to the costs of the VETiS program, where vocational courses are delivered at school, the committee heard evidence that VETiS is very resource intensive to deliver. Mr Newman listed some of the expenses associated with VETiS for public schools including staff costs, building and maintaining facilities and administering work placements:

The cost of training staff members and maintaining accreditation is very costly for our public school education system. The cost to schools also to provide facilities and maintain them is a massive challenge and it is a massive challenge to our department as well, particularly in areas such as hospitality and commercial kitchens, and construction. Work placement is also a big issue and the impact that the Board of Studies, Teaching and Educational Standards has in respect of requiring our staff to visit places. It impacts on how we operate in schools and it also varies according to the industries that are available to support us.<sup>455</sup>

**9.38** The Catholic Education Commission and the Association of Independent Schools noted similar costs.<sup>456</sup>

<sup>450</sup> Submission 229, Association of Independent Schools, p 11.

<sup>451</sup> Submission 229, Association of Independent Schools, p 11.

<sup>452</sup> Submission 178, Catholic Education Commission NSW, p 15; Evidence, Mr Ian Baker, Director, Education Policy and Programs, Catholic Education Commission NSW, 23 September 2015, p 57.

<sup>453</sup> Evidence, Mr Baker, 23 September 2015, p 57.

<sup>454</sup> Submission 241, Sydney Anglican Schools Corporation, p 10.

<sup>455</sup> Evidence, Mr Andrew Newman, Deputy President, NSW Secondary Principals Council, 22 September 2015, p 66.

<sup>456</sup> Submission 178, Catholic Education Commission NSW, p 14; Submission 229, Association of Independent Schools, p 10.

- 9.39** Mr Darryl Buchanan, Director of Professional Learning for the Association of Independent Schools of NSW, observed that there were significant ongoing costs associated with VETiS teacher training:

In terms of the teacher training there is an initial training cost to ensure that the teacher is suitably qualified to deliver the particular course. The reasonably frequent changes to training packages often results in a requirement for additional training or teacher training upgrades; so there is an initial upfront cost for the training and then there are the ongoing upgrades and maintenance requirements.<sup>457</sup>

- 9.40** As with TVET costs, while the NSW Skills Board provides some funding, private schools charge students additional fees to cover the costs of participating in VETiS. For example, the Catholic Education Commission advised that VETiS 'costs are shared with parents in the form of subject related costs, a practice which is acknowledged may prevent some students from accessing VETiS programs'.<sup>458</sup>
- 9.41** In addition to the research program on vocational education and training outcomes for school students, the NSW Skills Board advised that a review of board funding for vocational education and training for school students will be completed in the first half of 2016.<sup>459</sup>

### **Transport challenges**

- 9.42** A key benefit of VETiS is that, because it is delivered within schools, it avoids the transport challenges involved in students attending both school and TAFE. On the other hand, the committee heard that the cost and availability of transport to and from TAFE is a key barrier to students accessing TVET.
- 9.43** For example, the NSW Secondary Principals' Council expressed concern that students are required to cover their transport costs to TAFE.<sup>460</sup> Mr Andrew Newman, Deputy President, NSW Secondary Principals Council, explained that access to transport was a significant factor in whether a student considers undertaking a TVET course:

Transport costs for students can be much more of an impact in the country, but it is also a major factor in the city. It often determines whether students choose or not choose a VET subject, depending on what is involved in terms of the travel.<sup>461</sup>

- 9.44** While Mr Newman's school, Tuggerah Lakes Secondary College, was able to organise a bus to take students to TAFE, he noted that such arrangements were not possible in all rural and regional communities.<sup>462</sup>
- 9.45** Similarly as with TVET, Mr Newman highlighted the challenge of transport for students who are participating in school-based apprenticeships and traineeships:

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<sup>457</sup> Evidence, Mr Darryl Buchanan, Director, Professional Learning, Association of Independent Schools of NSW, 23 September 2015, p 54.

<sup>458</sup> Submission 178, Catholic Education Commission NSW, p 14.

<sup>459</sup> Evidence, Mr Clark, 9 November 2015, p 16.

<sup>461</sup> Evidence, Mr Newman, 22 September 2015, p 74.

<sup>462</sup> Evidence, Mr Newman, 22 September 2015, p 74.

... the biggest issue is that most of the people who want to take them on are waiting until they are old enough to have a driver licence because distance becomes a factor. They need to be able to get to the work site or get to where the person who is working with them can pick them up.<sup>463</sup>

- 9.46** During its site visit to the Macquarie Anglican Grammar School in Dubbo, part of the Sydney Anglican School Corporation, the committee inspected the school's impressive on-site trade training centre. The committee heard that for students wanting to participate in vocational training as part of their school studies, it can be a challenge to have to get a bus to and from the local TAFE to attend TVET courses. On the other hand, being able to undertake the course in the safe, familiar and easily-accessible environment of school can be much more attractive.<sup>464</sup>

## Impact of Smart and Skilled

- 9.47** A number of inquiry participants expressed concern about the impact of Smart and Skilled on vocational education and training for school students, particularly how the new pricing model affects TVET and school-based apprenticeships and traineeships. The sections below examine these issues in more detail, as well as briefly touching on the position of home-educated students under Smart and Skilled.

### New pricing model for TVET

- 9.48** The Association of Independent Schools explained that from 2016 TAFE NSW is moving to a new pricing model for TVET that reflects the Smart and Skilled reforms:

The price of a TVET course will consist of a base qualification price which is the Smart and Skilled price (indexed for 2016 delivery) with location loadings, an additional service charge and incidental expenses.<sup>465</sup>

- 9.49** The association praised the transparency of the new pricing model, while expressing concern that in some instances the cost of a full qualification will significantly increase.<sup>466</sup>

- 9.50** The NSW Secondary Principals Council observed that the Smart and Skilled reforms had been detrimental for high schools for a number of reasons, including restricted TAFE course offerings, course costs and the inability of private RTOs to adequately meet the needs of students:

The opening up of the market has seen a demise in many TAFE offerings, necessitating additional travel and time if students want to access specific courses. Public schools aim to run as many frameworks as they can, within the constraints of timetables, accredited staff, compliant venues to deliver courses, and approval by the RTO to run the framework, as many students are denied access to private providers because of their economic situation. Some courses can cost upwards of \$15,000.

<sup>463</sup> Evidence, Mr Newman, 22 September 2015, p 69.

<sup>464</sup> Committee site visit, Macquarie Anglican Grammar School, Dubbo, 3 November 2015.

<sup>465</sup> Submission 229, Association of Independent Schools, p 11.

<sup>466</sup> Submission 229, Association of Independent Schools, p 11.

Additionally, private providers are not usually willing to vary delivery times to better accommodate the students' school pattern of study for the HSC.<sup>467</sup>

- 9.51** Mr Newman expressed concern that future TVET costs are 'unknown' and remarked that should TVET costs increase further, his school would consider limiting the number of students who participate in the program.<sup>468</sup>
- 9.52** Mr Newman further noted that any contraction of the TVET program could have an ancillary effect on school retention, and that '[i]t will depend upon the area and the ability of the school to offer something in place of TVET'.<sup>469</sup>
- 9.53** Inquiry participants also expressed concern that the new Smart and Skilled pricing model for TVET would increase the course costs in regional and remote areas due to the lack of competition between TAFE and other registered training organisations.<sup>470</sup> For example, Ms Sue Watts, VET Manager, Catholic Schools Office, Diocese of Lismore, and Dr Geoff Newcombe, Executive Director, Association of Independent Schools of NSW, noted that the additional costs will be passed on to parents and suggested students may be deterred from enrolling in these courses.<sup>471</sup>
- 9.54** Likewise, the Catholic Education Commission drew attention to the fact that rural and regional schools and those in low socio-economic areas, face their own challenges in delivering vocational education and training to school students:

Schools in regional and remote areas and those schools in low socio-economic status communities experience strong demand for VET either delivered by a school or by external Registered Training Organisations including TAFE through TVET courses. While schools endeavour to provide a comprehensive curriculum to meet the needs of all students, they may experience difficulties in maintaining VET courses with smaller cohorts and in accessing external providers delivering courses within travelling distance from the school.<sup>472</sup>

- 9.55** The Catholic Education Commission called for a review of TVET funding arrangements.<sup>473</sup>

### **School-based apprenticeships and traineeships**

- 9.56** School-based apprenticeships and traineeships allow students to attain a vocational qualification, as well as an HSC, while gaining work skills and experience through

<sup>467</sup> Submission 21, NSW Secondary Principals Council, p 3.

<sup>468</sup> Evidence, Mr Newman, 22 September 2015, p 71.

<sup>469</sup> Evidence, Mr Newman, 22 September 2015, p 75.

<sup>470</sup> See, for example, Evidence, Mr Baker, 23 September 2015, p 52; Evidence, Mr Buchanan, 23 September 2015, p 52.

<sup>471</sup> Evidence, Ms Watts, 23 September 2015, p 52; Evidence, Dr Geoff Newcombe, Executive Director, Association of Independent Schools of NSW, 23 September 2015, p 52.

<sup>472</sup> Submission 178, Catholic Education Commission NSW, p 15; Evidence, Dr Newcombe, 23 September 2015, p 54.

<sup>473</sup> Submission 178, Catholic Education Commission NSW, p 15.

paid employment.<sup>474</sup> The committee was informed that the program operates during school hours and has been available in New South Wales for approximately a decade.<sup>475</sup>

**9.57** According to State Training Services, school-based apprenticeships and traineeships allow year 10, 11 and 12 high school students to commence an apprenticeship or complete a traineeship, with:

- school-based apprentices working part-time and undertaking the first stage of their formal or off-the-job apprenticeship training
- school-based trainees working part-time and completing their formal or off-the-job traineeship training by the end of their HSC year.<sup>476</sup>

**9.58** During the inquiry, the committee heard that even prior to Smart and Skilled, there have been challenges in delivering school-based apprenticeships and traineeships at secondary schools. For example, Mrs Gaynor MacKinnon, Principal of Trades Norwest Anglican Senior College, noted the difficulty of fitting in paid work and vocational subjects given the ‘rigid’ nature of school timetables.<sup>477</sup>

**9.59** Inquiry participants highlighted a number of issues caused by the Smart and Skilled reforms that are impacting on school-based apprenticeships and traineeships, including a reduction in course availability, problems with the funding application process and an increase in fees incurred by students.

**9.60** For example, BOSTES advised that since the introduction of Smart and Skilled, a small proportion of courses specifically developed and endorsed for school-based apprenticeships and traineeships do not appear on the Skills List, and are therefore no longer available as the qualification pathway provided by the course is not eligible for a government subsidy.<sup>478</sup>

**9.61** The Sydney Anglican Schools Corporation expressed considerable frustration with the Smart and Skilled reforms. The corporation noted that it had invested heavily in vocational education and training at its Trades Norwest Anglican Senior College, which offers school-based apprenticeships and traineeships to students in years 11 and 12.<sup>479</sup> The Sydney Anglican Schools Corporation argued that Smart and Skilled has cut out small and specialised trainers, such as the Trades Norwest Anglican College, from providing subsidised school-based apprenticeships and traineeships, and suggested that the provider application process failed to appreciate or understand the nature of program. Mr Andrew Guile, Corporate Affairs Manager, Sydney Anglican Schools Corporation, elaborated on this concern:

Smart and Skilled promised to be a hand up for our students and our group as we sought to provide services to young people who were not finding success in

<sup>474</sup> NSW Department of Education and Communities, *School Based Apprenticeships and Traineeships*, <http://www.sbatinnsw.info/apprenticeships.php>.

<sup>475</sup> Evidence, Mrs Gaynor MacKinnon, Principal, Trades Norwest Anglican Senior College, 23 September 2015, p 7.

<sup>476</sup> Department of Industry, State Training Services, *School-based Apprenticeships and Traineeships*, [http://www.training.nsw.gov.au/businesses/apprenticeships\\_traineeships/school\\_based/](http://www.training.nsw.gov.au/businesses/apprenticeships_traineeships/school_based/).

<sup>477</sup> Evidence, Mrs MacKinnon, 23 September 2015, p 7.

<sup>478</sup> Submission 237, Board of Studies, Teaching and Educational Standards NSW, p 7.

<sup>479</sup> Evidence, Mrs MacKinnon, 23 September 2015, p 6.

traditional education settings. Yet as the policy was rolled out by State Training Services, arbitrary bureaucratic choices that limited the number of approved providers based on “capacity” coupled with an inadequate application process that dealt with school-based apprenticeships as an afterthought, means that Smart and Skilled does not reflect the original intentions.<sup>480</sup>

- 9.62** Mrs MacKinnon, Principal of Trades Norwest Anglican Senior College, explained the implications of not receiving Smart and Skilled funding for the current year 11 students undertaking a school-based apprenticeship at Trades Northwest Anglican Senior College:

... our new students who started with us in year 11 this year were not eligible to receive any funding, because we did not get Smart and Skilled funding for them. It means that once they are apprenticed, to charge them full fees for their training is not possible because under the modern awards that they are employed under as an apprentice, the trainer has to pay for the cost of their training.<sup>481</sup>

- 9.63** Mrs McKinnon continued: ‘So, even if we wanted to charge them \$12,000 or \$13,000 for their course, it would be stupid for an employer to commit to that when they know that they can try and get into a TAFE and only be paying the student contribution fee of \$2,000’. To overcome this problem, the school has had to contact other providers with school-based funding and organise training for the students at a fee that is accessible to them and their employer.<sup>482</sup>

- 9.64** Mrs MacKinnon informed the committee that Trades Norwest Anglican Senior College would consider imposing additional fees if the school does not receive Smart and Skilled funding to facilitate school-based apprenticeships and traineeships in the future, which would be a considerable impost on students and their families:

If we are not able to get any extra funding for the trade training, it will inevitably become a significant impost immediately to the families of the students who are coming to us. There are some families who come to us who would not be able to access our training because they would not be able to afford the fees.<sup>483</sup>

- 9.65** Mr Guile argued that the Smart and Skilled policy needed ‘some major renovation’ including ‘a dedicated application process for school-based apprenticeships, which focuses on student outcomes rather than capacity’.<sup>484</sup> Mr Guile also advocated for ‘specific recognition of school-based apprenticeships’ within Smart and Skilled that would ‘at least include funding for people who specialise in this area’.<sup>485</sup>

- 9.66** The Catholic Education Commission NSW noted that its schooling sector had experienced an influx of school-based apprenticeships and traineeships in recent times,<sup>486</sup> but stated that one

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<sup>480</sup> Evidence, Cr Andrew Guile, Corporate Affairs Manager, Sydney Anglican Schools Corporation, 23 September, p 2.

<sup>481</sup> Evidence, Mrs MacKinnon, 23 September 2015, p 10.

<sup>482</sup> Evidence, Mrs MacKinnon, 23 September 2015, p 10.

<sup>483</sup> Evidence, Mrs MacKinnon, 23 September 2015, p 11.

<sup>484</sup> Evidence, Cr Guile, 23 September 2015, p 2.

<sup>485</sup> Evidence, Cr Guile, 23 September 2015, p 7.

<sup>486</sup> Submission 178, Catholic Education Commission, p 5.

of the ‘unintended’ consequences of Smart and Skilled was that a number of potential school-based apprenticeships and traineeships did not proceed in 2015 as training providers did not have sufficient funds.<sup>487</sup>

- 9.67** The Catholic Education Commission advocated for the expansion of Trade Trading Centres to deliver VETiS and meet the growing interest in the school-based apprenticeships and traineeships program,<sup>488</sup> and proposed that the NSW Skills Board review its administrative and funding arrangements with the aim of facilitating increased student participation across Years 9 to 12 inclusive for all NSW Schools.<sup>489</sup>

### Home-schooled students

- 9.68** A number of inquiry participants, including the Home Education Association and the Sydney Home Education Network, pointed out that the Smart and Skilled eligibility requirements effectively exclude home-schooled students. This is because home-schooled students, despite not attending school, are considered to be in secondary education.
- 9.69** However, the committee heard that these students are also excluded from participating in TVET and school-based apprenticeship and traineeship programs because they are not considered ‘school students’ by the Department of Education.<sup>490</sup>

### Committee comment

- 9.70** School-based vocational education and training programs play an important role in engaging students who are better suited to practical learning and who might otherwise fall through the cracks of the school system. The committee is inclined to think that programs like TVET, VETiS and school-based apprenticeships and traineeships are very worthwhile. We particularly note the benefits of the VETiS program in allowing students to study vocational courses in their familiar school environment. The committee welcomes the research being undertaken by the NSW Skills Board to back up the benefits of these programs.
- 9.71** Vocational education and training is not the poor cousin to a university education. The committee believes that more can be done to promote vocational education and training as a first choice pathway into rewarding employment. School careers advice is a key means by which this message can be delivered, not only to students, but to their parents and teachers. Industry should also play a role in informing school students about career options.

<sup>487</sup> Submission 178, Catholic Education Commission, p 16.

<sup>488</sup> Submission 178, Catholic Education Commission, p 5.

<sup>489</sup> Submission 178, Catholic Education Commission, p 16.

<sup>490</sup> Submission 138, Home Education Association, pp 5-6; Submission 105, Sydney Home Education Network, pp 1-2; Submission 25, Mrs Raluca Cosma, p 1; Submission 70, Ms Stephanie Hayes, p 1.

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**Recommendation 22**

That the NSW Government improve school careers advice on vocational education and training by:

- providing better quality guidance to students, parents and teachers in relation to vocational pathways
  - promoting the range of vocational education and training options available
  - seeking input from industry.
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**9.72** The committee acknowledges the government's significant investment in the TVET and VETiS programs through its funding to both the public and private school sectors. However, that funding is not enough to cover the costs of delivering these programs. In relation to TVET, the sectors tend to take different approaches to making up the shortfall, with the public school system absorbing the cost by transferring teaching time to TAFE, whereas private schools tend to pass on the costs to students. This is clearly an equity issue and we urge the government to address it.

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**Recommendation 23**

That the NSW Government review the funding arrangements for school-based vocational education and training programs to promote equity of access between public and private school students.

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**9.73** In terms of the effect of Smart and Skilled on school-based vocational education and training programs, the committee notes the imminent introduction of a new TVET pricing model, and concerns about potential price increases. The aim of increasing student participation in TVET and other school-based programs should be at the forefront of the new funding and pricing arrangements.

**9.74** The committee strongly supports the expansion of the school-based apprenticeship and traineeship program, which allows school students to gain both vocational and secondary education qualifications while in paid employment. This program is particularly advantageous for those students who find themselves like a square peg in a round hole in terms of academics at school, providing a way for these students to set themselves up for a career in trades while finishing the HSC. Because the program is run within school hours, it also helps to address some of the accessibility issues faced by students living in regional, rural and remote communities.

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**Recommendation 24**

That the NSW Government expand the school-based apprenticeship and traineeship program to facilitate greater participation by students, including those living in regional, rural and remote areas.

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- 9.75** The committee also acknowledges that providers of school-based apprenticeships and traineeships felt the Smart and Skilled provider application process did not adequately cater for their circumstances. Deficiencies in this process are addressed in detail in chapter 4.
- 9.76** Finally, the committee is concerned about the double-bind in which home-schooled students find themselves, excluded both from accessing Smart and Skilled subsidies and from accessing school-based vocational education and training programs. This makes it much more difficult for the 3,000 or so home-schooled students in New South Wales to access vocational education and training, putting them at a significant disadvantage compared to other students.
- 9.77** This is yet another equity issue and a real gap in the system. In recognition of the unique position of home-schooled students, the Smart and Skilled eligibility criteria should be amended so that registered home-schooled students are eligible for subsidised Smart and Skilled entitlement training.

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**Recommendation 25**

That the NSW Government promote equity by amending the Smart and Skilled eligibility criteria to allow registered home-schooled students to access subsidised Smart and Skilled entitlement training.

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## Appendix 1 Submissions

No	Author
1	Name suppressed
2	Mr Daniel Taylor
3	Ms Carol Sparks
4	Mr Jason Marshall
5	Mrs Corrina Baird – Partially confidential
6	Mr Paul Theodore Bazelmans
7	Mr John Bellingham
8	Mr Jonathan Christley
9	Mr Noel Cook
10	Miss Karen Eakin
11	Mrs Caroline Lorbach
12	Ms Katherine Lynch
13	Mrs Sally Morris
14	Ms Bronwyn Morris
15	Mr Joseph Phillips
16	Dr Rosie Scott
17	Mr Mark Smith
18	Ms Janet Taylor
19	Ms Anna Timbrell
20	ForestWorks
21	NSW Secondary Principals' Council
22	Ms Beris Derwent
23	Ms Eva Dillon-Smith
24	Mrs Liz Garlick
25	Mrs Raluca Cosma
26	Mrs Janine Carollo
27	Mrs Anne Maye
28	Mr Mervyn Murchie
29	Professor Prue Vines
30	Mr Wayne Boyde
31	Mr Mercurius Goldstein
32	Miss Anne Hur

<b>No</b>	<b>Author</b>
33	Mrs Lavinia Zammit
34	Ms Catherine Blakey
35	Mrs Merindah Buckley
36	Ms Lyn Maciver
37	Mrs Samantha Peters
38	Mrs Lyn Pitt
39	Mr Peter Druery
40	Mr Ian Collett
41	Name suppressed
42	Name suppressed
43	Name suppressed
44	Name suppressed
45	Name suppressed
46	Name suppressed
47	Name suppressed
48	Name suppressed
49	Name suppressed
50	Name suppressed
51	Name suppressed
52	Name suppressed
53	Name suppressed
54	Name suppressed
55	Confidential
56	Ms Catherine Nuttall – Partially confidential
57	Name suppressed
58	Name suppressed
59	Name suppressed
60	Name suppressed
61	Mr David Kirkpatrick
62	Ms Norma Mou
63	Mr Ainslie Pasqual
64	Mrs Louise Stammers
65	Confidential
66	Name suppressed
67	Ms Bianca Burrows

<b>No</b>	<b>Author</b>
68	Name suppressed
69	Name suppressed
70	Ms Stephanie Hayes - Partially confidential
71	Name suppressed
71a	Name suppressed
72	Name suppressed
73	Mr Ian Willis
74	Dr Peter Weitzel
75	Name suppressed
76	Consumer Action Law Centre
77	Name suppressed
78	Name suppressed
79	Confidential
80	Mr John Casey
81	Mr Douglas Williamson
82	Mr Gilbert Meunier
83	Mr Adrian Laws
84	Tom Lyons Contracting P/L
85	Name suppressed
86	Name suppressed
87	Name suppressed
88	Name suppressed
89	Ms Jennifer Clarke
90	Mr Brett Hunter
91	Ms Maria Jose Lopez Alvarez
92	Ms Kerrin McCormack
93	Name suppressed
94	Mrs Shirley Moore
95	Mrs Renata Redman - Partially confidential
96	Mr Chris Ruane
97	Mrs Lee Smith
98	Name suppressed
99	Ms Pei-Shan Wu
100	Professor Stanley Yeo
101	Australian Veterinary Association (AVA)

<b>No</b>	<b>Author</b>
102	Ms Mary Hicks
103	Ms Margaret Sales
104	Mr Peter Birchall - Partially confidential
105	Sydney Home Education Network (SHEN) - Partially confidential
106	Name suppressed
107	Name suppressed
108	Name suppressed
109	Name suppressed
110	Name suppressed
111	Name suppressed - Partially confidential
112	Name suppressed
113	Name suppressed - Partially confidential
114	Name suppressed
115	Name suppressed
116	Name suppressed
117	Name suppressed
118	Name suppressed
119	Name suppressed
120	Name suppressed - Partially confidential
121	All Automotive Training Services Pty Ltd
121a	All Automotive Training Services Pty Ltd – Partially confidential
122	Name suppressed
123	Name suppressed - Partially confidential
124	Name suppressed
125	Mr Tim Andrews
126	Southern Youth and Family Services
127	Ms Margaret Edwards
128	Ms Melissa Field
129	Miss Candice Figgett
130	Mrs Karen Fogo
131	Mr Jack Galvin Waight
132	Mr Michael Wise
133	Mrs Pat Wheeldon
134	Mr Aldis Svirskis
135	Blue Mountains TAFE Teachers' Association

<b>No</b>	<b>Author</b>
136	Mr Ross Stagg
137	Mountains Community Resource Network on behalf of Blue Mountains Community Interagency
138	Home Education Association, Inc.
139	National Meat Industry Training Advisory Council
140	Mr Robert Porter
141	Mr Thomas McCabe
142	Mr Peter Gregurke
143	Mrs Rhonda Green
144	Dr Don Gillies
145	Mr Yagia Gentle
146	Mr Geoff Turnbull
147	New South Wales Teachers Federation
147	New South Wales Teachers Federation Attachment 1
147	New South Wales Teachers Federation Attachment 3
148	Mr Ian Palmer
149	Name suppressed
150	Confidential
151	Name suppressed
152	Ms Robyn Urquhart
153	Miss Natasha Gee
154	Australian Education Union (Ryde TAFE Branch)
155	Name suppressed
156	Mr Philip Von Shoenberg
157	Name suppressed
158	Name suppressed
159	Ms Liz Henigan
159a	Ms Liz Henigan
160	Name suppressed
161	Name suppressed - Partially confidential
162	Name suppressed
163	Name suppressed
164	Name suppressed
165	Name suppressed
166	Name suppressed

<b>No</b>	<b>Author</b>
167	Name suppressed
168	Name suppressed
169	Name suppressed
170	Name suppressed
171	Name suppressed
172	Name suppressed
173	Mrs Danielle Wheeler
174	Name suppressed
175	Ms Wendy White
176	Name suppressed
177	Name suppressed
178	Catholic Education Commission NSW
179	Mr John Ward
180	Name suppressed
181	Mr Vince Vandyke
182	Name suppressed
183	Ms Terri Quinlan
184	Name suppressed
185	The TAFE Community Alliance
186	Australian Industry Group
187	Mrs Kelly Shaw
188	NSW Community Services and Health Industry Training Advisory Body (CSH ITAB)
189	Ryde Macquarie Teachers Association, NSW Teachers Federation
190	Mr Greg Robinson
191	Mr Daniel Pratt
192	Mr Luke Orlovich
193	Mr Stephen O'Brien
194	Mr Graham O'Brien
195	Marrickville Multicultural Interagency (MMIA)
196	Manufacturing Skills Australia
197	Mr Geoff Nattrass
198	NSW Migrant Resource Centre Forum
199	National Disability Services
200	Federation of Parents and Citizens Associations of New South Wales
201	NSW Adult Literacy Numeracy Council

<b>No</b>	<b>Author</b>
202	Ms Jennifer Jenkins-Flint
203	NSW Public Sector Industry Training Advisory Body (PSITAB)
204	Australian Home Education Advisory Service
205	Ms Joan Hume
206	Mr R Hart
207	Ms Trish Doyle MP
208	Green Connect Illawarra
209	Council of Catholic School Parents
210	Ms Philippa Clark
211	Mrs Catherine Cavanagh
212	Mr David Briggs
213	Mr Phil Bradley
214	Name suppressed
215	Mrs Cheryl Amor
216	Housing Industry Association
217	Fairfield Multicultural Interagency and Fairfield Emerging Communities Action Partnership
218	Public Service Association of NSW
219	Name suppressed
220	Community Technology Centres Association
221	Enrolled Nurse Professional Association
222	Mr Stephen Smith
223	Name suppressed
224	Metro Assist Inc
225	Women in Adult and Vocational Education (WAVE)
226	NSW Nurses and Midwives' Association
227	Arts, Communications, Finance Industries and Property Services Ltd (ACFIPS)
228	Mr Jonathan Farry - Partially confidential
229	Association of Independent Schools of NSW (AIS NSW)
230	Bryant Engineering
231	Unions NSW
231	Unions NSW Attachment 1 - Partially confidential
232	Confidential
233	Muswellbrook Shire Council
234	Community Services and Healthy Industry Skills Council

<b>No</b>	<b>Author</b>
235	NSW Utilities and Electrotechnology, Industry Training, Advisory Body (TTAB)
236	NSW Aboriginal Education Consultative Group Inc.
237	Board of Studies, Teaching and Education Standards NSW (BOSTES)
238	Name Suppressed
239	Name suppressed – Partially confidential
240	Mr Graeme Wilton and Mr John Gray
241	Sydney Anglican Schools Corporation
242	Ms Margaret Bamford – Partially Confidential
243	Australian Council for Private Education and Training (ACPET)
244	Australian Skills Quality Authority
245	Bright Employment
246	Rural Skills Australia
247	Ms Anne Brecht
248	Boating Industry Association (BIA)
249	Automotive Training Board (ATB) NSW
250	YFoundations
251	Tocal College Advisory Council
252	Hay Inc.
253	People with Disability Australia Incorporated
254	Australian Association of Bush Regenerators Inc.
255	Mr David Barnett
256	Ms Janine Kitson
257	Name suppressed
258	Confidential
259	Miss Samantha Saxton – Partially Confidential
260	Confidential
261	The Greens NSW
262	OTEN branch of TAFE Teachers Assoc. (AEU NSW)
262	OTEN branch of TAFE Teachers Assoc. (AEU NSW) Attachment 3 – Partially confidential
263	Name Suppressed
264	Name Suppressed
265	Name Suppressed
266	Name Suppressed
267	Name Suppressed

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<b>No</b>	<b>Author</b>
268	Ms Lorraine Watson
269	Name Suppressed – Partially Confidential
270	Name Suppressed
271	Ms Vivienne Fox – Partially Confidential
272	Ms Shaquille Ray-Brazel – Partially Confidential
273	International Child Care College
274	Mr John O’Neil
275	Community Colleges Australia
276	Ms Patricia Phelan
277	Mr Sean O’Shannessy
278	Mr Patrick Regnault

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## Appendix 2 Witnesses at hearings

Date	Name	Position and Organisation
<b>Friday 11 September 2015</b> <b>North Coast TAFE</b> <b>Wollongbar Campus</b> <b>Wollongbar</b>	Mr Graham Armstrong	Head Teacher – Automotive and Vehicle Repair, TAFE NSW North Coast Institute
	Mr Dave Carey	Part-time Casual Teacher – Science and Laboratory, TAFE NSW North Coast Institute
	Mr Greg Holihan	Head Teacher – Horticulture, TAFE NSW North Coast Institute
	Mr Mark Jewell	Disability Consultant, TAFE NSW North Coast Institute
	Mr Joseph Anthonyysz	Chief Executive Officer, SAE Southern Region
	Ms Kristen Clarke	General Manager, SAE National VET Manager
	Mr Jeff Green	General Manager, All Excavations Training
<b>Friday 11 September 2015</b> <b>North Coast TAFE</b> <b>Lismore Campus</b> <b>Lismore</b>	Ms Lindy Kemp	Director TAFE Services, North Coast NSW
	Mr Simon Mahoney	Student, TAFE NSW North Coast Institute
	Ms Katherine Nicholson	Post Schools Organiser, NSW Teachers Federation
	Mr Corey Aleckson	HR Manager, Northern Co-operative Meat Company
	Mr Simon Stahl	Chief Executive Officer, Northern Co-operative Meat Company

Date	Name	Position and Organisation
<b>Friday 18 September 2015</b> <b>Hunter TAFE</b> <b>Newcastle Campus</b> <b>Tighes Hill</b>	Mr Gavin Manning	National Apprentice Development Systems Manager, Komatsu Australia
	Ms Pat Forward	Federal TAFE Secretary and Deputy Federal Secretary, Australian Education Union
	Mr Daniel Wallace	Secretary, Newcastle Trades Hall Council
	Ms Marie Larkings	Director Teaching and Learning, TAFE NSW Hunter Institute
	Mr John Coyle	Director, Hunternet Group Training Company
	Ms Leisa Harrison	Senior Manager, Essential Skills Training & Recruitment
	Ms Karen Kearns	Chief Executive Officer and Director of Studies, International Child Care College
	Mr Duncan Passmore	Chief Executive Officer, Passmores College
	Mr Tim Andrews	Counsellor , TAFE NSW Hunter Institute, Kurri Kurri and Cessnock campuses
	Mr Michael Dyer	Teacher – Electrical Trades, TAFE NSW Hunter Institute, Muswellbrook campus
Mr Mark Powell	Teacher – Commercial Cookery, TAFE NSW Hunter Institute, Hamilton campus	
Ms Terri Quinlan	Part-time Casual IT Teacher and TVET Coordinator, TAFE NSW Hunter Institute	

Date	Name	Position and Organisation
<b>Tuesday 22 September 2015</b> <b>Macquarie Room</b> <b>Parliament House</b>	Ms Pam Christie	Managing Director, TAFE NSW
	The Hon John Barilaro MP	Minister for Regional Development, Skills and Small Business
	Mr Maurie Mulheron	President, NSW Teachers Federation
	Ms Maxine Sharkey	Assistant General Secretary (Post-school Education), NSW Teachers Federation
	Mr Steve Turner	Acting General Secretary, Public Service Association of NSW
	Mr Leon Parissi	Central Councillor & Chair of TAFE Departmental Committee, Public Service Association of NSW
	Mr Rod Camm	Chief Executive Officer, Australian Council for Private Education and Training
	Mr Peter McDonald	NSW Executive Officer, Australian Council for Private Education and Training
	Mr David Collins	Executive Director, Market Quality and Operations, Skills and Industry Division, NSW Department of Industry
	Mr Gary Redman	Member, Australian Council for Private Education and Training and Chief Executive Officer, Training Experts Australia Pty Ltd
	Mr Andrew Newman	Deputy President, NSW Secondary Principals Council
	Mr Brett Carr	Member, NSW Deputy Secondary Principals Council
	Mr David Bare	Executive Director – NSW, Housing Industry Association
	Ms Melanie Foster	Executive Director – Industry Capability, Policy & Lobbying, Housing Industry Association
Mr Paul Orton	Director, Policy and Advocacy, NSW Business Chamber	
Mr Nick Minto	Education and Training Policy Adviser, NSW Business Chamber	

Date	Name	Position and Organisation
<b>Wednesday 23 September 2015</b> <b>Macquarie Room</b> <b>Parliament House</b>	Mr Norm Cahill	Executive Officer, NSW Utilities and Electrotechnology, Industry Training Advisory Body (ITAB)
	Dr Brendan Goodger	Policy and Research Manager, Community Services and Health Industry Skills Council
	Mr Rod Cooke	Chief Executive Officer, Community Services and Health Industry Skills Council
	Mr Mark Goodsell	NSW Director, Australian Industry Group
	Ms Gail Silman	Education and Training Advisor, Australian Industry Group
	Mr Kevin Heys	Spokesperson, TAFE Community Alliance
	Ms Kerrin McCormack	Individual
	Mr John Macmillan	Senior Sector Development Officer, National Disability Services
	Ms Therese Sands	Co-Chief Executive Officer, People with Disability Australia Ltd
	Ms Ngila Bevan	Manager, Advocacy Projects and Communication, People with Disability Australia Ltd
	Ms Cindy Berwick	President, NSW Aboriginal Education Consultative Group Inc.
	Mr Merv Donovan	Executive Officer, NSW Aboriginal Education Consultative Group Inc.
	Mr Ian Baker	Director – Education Policy and Programs, Catholic Education Commission NSW
	Cr Andrew Guile	Corporate Affairs Manager, Sydney Anglican Schools Corporation
	Mr Geoff Newcombe	Executive Director, The Association of Independent Schools of NSW Ltd
	Mr Darryl Buchanan	Senior Director – Director Professional Learning, Association of Independent Schools of NSW Ltd
Mrs Gaynor MacKinnon	Principal, Trades Norwest Anglican Senior College	
Mr Tony Dwyer	Acting Executive Director, Rural Skills Australia	
Mrs Sue Watts	VET Manager, Catholic Schools Office, Diocese of Lismore	

Date	Name	Position and Organisation
<b>Monday 12 October 2015</b> <b>Illawarra TAFE,</b> <b>Nowra Campus</b> <b>Bomaderry</b>	Mr Keith Bourke	Teacher Consultant, TAFE NSW Illawarra Institute
	Mr Ted Clapham	Head Teacher – Carpentry, TAFE NSW Illawarra Institute
	Ms Liz Henigan	Head Teacher – Community Services, Human Services, Tourism and Hospitality, TAFE NSW Illawarra Institute
	Ms Di Laver	Former Head Teacher – Faculty of Tourism and Hospitality, TAFE NSW Illawarra Institute
	Ms Nicky Sloan	Chief Executive Officer, Illawarra Forum Inc
	Mr John Lamont	Managing Director, Nowra Chemical Manufacturers Pty Ltd
	Mr Rob Long	Post Schools Organiser, NSW Teachers Federation
<b>Monday 12 October 2015</b> <b>Illawarra TAFE</b> <b>Wollongong Campus</b> <b>North Wollongong</b>	Ms Dianne Murray	Director, TAFE NSW Illawarra Institute
	Mr Terry Kofod	Head Teacher – Information Technology, TAFE NSW Illawarra Institute
	Ms Lorraine Watson	Teacher Consultant, TAFE NSW Illawarra Institute
	Ms Narelle Clay AM	Chief Executive Officer, Southern Youth and Family Services
	Ms Eleonore Johanson	General Manager, Southern Youth and Family Services
	Ms Amanda Calwell-Smith	Chief Executive Officer, Essentra Learning
	Ms Tania Tsiamis	General Manager, IRT College
	Mr Mark Sewell	Chief Executive Officer, Warrigal Care
	Mr Arthur Rorris	Secretary, South Coast Labour Council
	Ms Kate Adams	Manager, Professional Services, NSW Nurses and Midwives' Association
Dr Janet Roden	Professional Officer, NSW Nurses and Midwives' Association	
Mr Phillipe Millard	Professional Officer, NSW Nurses and Midwives' Association	

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Date	Name	Position and Organisation
<b>Monday 9 November 2015</b> <b>Macquarie Room</b> <b>Parliament House</b>	Mr Philip Clark AM	Chair, NSW Skills Board
	Mr Tony Whitfield	Acting Auditor-General, Audit Office of NSW
	Ms Kathrina Lo	Assistant Auditor-General, Audit Office of NSW
	Ms Giulia Vitetta	Principal Analyst, Audit Office of NSW

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## Appendix 3 Tabled documents

### Friday 11 September 2015

#### TAFE NSW North Coast Institute, Wollongbar campus

1. Opening statement, *tendered by Mr Dave Carey, Part-time Casual teacher – Science and Laboratory, TAFE NSW North Coast Institute*
2. Presentation entitled ‘SAE Qantm Creative Media Institute’, *tendered by Mr Joseph Anthonys, Chief Executive Officer, SAE National VET Manager*

### Friday 18 September 2015

#### TAFE NSW Hunter Institute, Newcastle campus

3. Submission, *tendered by Ms Karen Kearns, Chief Executive Officer and Director of Studies, International Child Care College*
4. Opening statement, *tendered by Ms Leisa Harrison, Senior Manager, Essential Skills Training and Recruitment*
5. Opening statement, *tendered by Mr Duncan Passmore, Chief Executive Officer, Passmores College*

### Tuesday 22 September 2015

#### Macquarie Room, Parliament House, Sydney

6. McDougall, Bruce, ‘TAFE pay claim a bit rich’, Daily Telegraph, Sydney, 13 August 2015, p 17, *tabled by the Hon Scott Farlow MLC*
7. Opening statement, *tendered by the Hon John Barilaro MP, Minister for Skills*
8. Screenshots of document quoted by Ms Cusack during questioning on Dr Kaye's website, *tabled by the Hon Catherine Cusack MLC*
9. Opening statement, *tendered by Mr David Bare, Executive Director – NSW, Housing Industry Association*
10. NSW Business Chamber recommendations for the inquiry, *tendered by Mr Nick Minto, Education and Training Policy Adviser, NSW Business Chamber*
11. NSW Business Chamber, Paving the Pathway, Addressing Post Year 10 Education, *tendered by Mr Nick Minto, Education and Training Policy Adviser, NSW Business Chamber*
12. McVicar D and Polidano C, ‘If You Get What You Want, Do You Get What You Need? Course Choice and Achievement Effects of a Vocational Education and Training Voucher Scheme, Melbourne Institute Working Paper Series’, Working Paper No. 6/15, Faculty of Business & Economics, The University of Melbourne, *tendered by Mr Nick Minto, Education and Training Policy Adviser, NSW Business Chamber*

### Wednesday 23 September 2015

#### Macquarie Room, Parliament House, Sydney

13. Opening statement, *tendered by Cr Andrew Guile, Corporate Affairs Manager, Sydney Anglican Schools Corporation*
14. ‘Your organisation's 2015 Smart and Skilled Contract Application Feedback Summary’, NSW Now, The new state of business, Office of Education, NSW Education and Communities, *tendered by Mrs Gaynor MacKinnon, Principal, Trades Norwest Anglican Senior College*
15. Opening statement, *tendered by Mr Kevin Heys, Spokesperson, TAFE Community Alliance*

16. Heys K, 'The ever changing world of TAFE NSW, Monograph No. 32, March 1998, The Australian College of Education New South Wales Chapter, *tendered by Mr Kevin Heys, Spokesperson, TAFE Community Alliance*
17. Goozee G, 'From Tech to TAFE 1949 – 1997', Retired NSW 'TAFE Officers' Association 2013, *tendered by Mr Kevin Heys, Spokesperson, TAFE Community Alliance*
18. Opening statement, *tendered by Mr Tony Dwyer, Acting Executive Director, Rural Skills Australia*
19. National Farmers' Federation, National Agribusiness Education, Skills and Labour Taskforce (NEST), 'National Agriculture Workforce Development Plan', June 2014, *tendered by Mr Tony Dwyer, Acting Executive Director, Rural Skills Australia*
20. Brochure, AHCIO Qualifications and Australian Apprenticeships Guide, Rural Skills Australia, *tendered by Mr Tony Dwyer, Acting Executive Director, Rural Skills Australia*
21. 'Building a healthy future: Skills, Planning and Enterprise', 2015 Environmental Scan, Community Services and Health Industry Skills Council, *tendered by Mr Rod Cooke, Chief Executive Officer, Community Services and Health Industry Skills Council*
22. Opening statement, *tendered by Dr Geoff Newcombe, Executive Director, Association of Independent Schools of NSW Ltd*
23. 'Summary of recommendations', Transition support for students with additional or complex needs and their families, Legislative Council Report 45, March 2012, *tendered by Ms Kerrin McCormack, private individual*
24. 'Case examples', *tendered by Ms Kerrin McCormack, private individual*
25. 'NSW Suicide Prevention Strategy 2010-2015, A whole of government strategy promoting a whole of community approach', NSW Health, *tendered by Ms Kerrin McCormack, private individual*
26. 'Summary of Services – Standards for NVR Registered Training Organisations', *tendered by Ms Kerrin McCormack, private individual*
27. 'Summary of Services – Tertiary Education Quality Standards Agency Act 2011', *tendered by Ms Kerrin McCormack, private individual*
28. 'CICA – The National Peak Body for the Career Industry', *tendered by Ms Kerrin McCormack, private individual*
29. Online advertisement, including position description, for TAFE NSW Student Support Officer, jobs.nsw, *tendered by Ms Kerrin McCormack, private individual*
30. Blueprint, Australian Blueprint for Career Development, Ministerial Council on Education, Employment, Training and Youth Affairs, Department of Education, Employment and Workplace Relations, *tendered by Ms Kerrin McCormack, private individual*

**Monday 12 October 2015****TAFE NSW Illawarra Institute, Wollongong campus**

31. Opening statement, *tendered by Ms Dianne Murray, Director, TAFE NSW Illawarra Institute*

## Appendix 4 Answers to questions on notice

The committee received answers to questions on notice from the following:

- Mr Graham Armstrong
- Mr Dave Carey
- Mr Greg Holihan
- Mr Mark Jewell
- Mr Tim Andrews
- Mr Michael Dyer
- Mr Mark Powell
- Ms Terri Quinlan
- Mr Keith Bourke
- Mr Ted Clapham
- Ms Liz Henigan
- Mr Terry Kofod
- Ms Lorraine Watson
- SAE QANTM Creative Media Institute
- The Hon John Barilaro MP, Minister for Skills
- NSW Department of Industry
- All Excavations Training
- NSW Teachers Federation
- Newcastle Trades Hall Council
- Illawarra Forum Inc
- TAFE NSW
- Essential Skills Training and Recruitment
- TAFE Services, North Coast NSW
- Komatsu Australia
- TAFE NSW Hunter Institute
- Australian Education Union
- Housing Industry Association Limited
- Australian Council for Private Education and Training
- Sydney Anglican Schools Corporation
- Public Service Association of NSW
- NSW Utilities and Electrotechnology Industry Training Advisory Body (ITAB)
- Association of Independent Schools of NSW Ltd
- National Disability Services
- TAFE Community Alliance
- The Australian Industry Group

- IRT College
- TAFE NSW Illawarra Institute
- Passmore's College
- TAFE NSW Illawarra Nowra Institute
- Audit Office of NSW
- South Coast Labour Council
- NSW Skills Board
- NSW Business Chamber
- Southern Youth and Family Services

## Appendix 5 Minutes

### Minutes No. 4

Thursday 25 June 2015

General Purpose Standing Committee No. 6

Members' Lounge, Parliament House, Sydney, at 1.07 pm

#### 1. Members present

Mr Green, *Chair*

Mr Amato, *Deputy Chair*

Mr Farlow

Dr Kaye (substituting for Mr Shoebridge for the duration of the inquiry into vocational education and training in New South Wales)

Ms Maclaren-Jones (substituting for Ms Cusack)

Mr Mookhey

Mr Wong

#### 2. Correspondence

The committee noted the following item of correspondence:

##### ***Received:***

- 4 June 2015 – Email from Mr Shoebridge to Chair, advising that Dr Kaye will be substituting for Mr Shoebridge for the duration of the inquiry into vocational education and training in New South Wales.

#### 3. Inquiry into vocational education and training in New South Wales

##### 3.1 Terms of reference

The committee noted the following terms of reference referred by the House on 3 June 2014:

1. That General Purpose Standing Committee No. 6 inquire into and report on vocational education and training in NSW, and in particular:
  - (a) the factors influencing student choice about entering the vocational education and training system including:
    - (i) motivation to study,
    - (ii) choice of course, course location and method of study,
    - (iii) barriers to participation, including students in the non-Government education and home schooling sectors,
  - (b) the role played by public and private vocational education providers and industry in:
    - (i) educational linkages with secondary and higher education,
    - (ii) the development of skills in the New South Wales economy,
    - (iii) the development of opportunities for unemployed people, particularly migrants and persons in the mature workers' category, to improve themselves and increase their life, education and employment prospects,
    - (iv) the delivery of services and programs particularly to regional, rural and remote communities,
  - (c) factors affecting the cost of delivery of affordable and accessible vocational education and training, including the influence of the co-contribution funding model on student behaviour and completion rates,

- (d) the effects of a competitive training market on student access to education, training, skills and pathways to employment, including opportunities and pathways to further education and employment for the most vulnerable in our community including those suffering a disability or severe disadvantage,
- (e) the level of industry participation in the vocational education and training sector, including the provision of sustainable employment opportunities for graduates, including Competency Based Training and the application of training packages to workforce requirements, and
- (f) The Smart and Skilled reforms, including:
  - (i) alternatives to the Smart and Skilled contestable training market and other funding policies,
  - (ii) the effects of the Smart and Skilled roll out on school based apprenticeships,
- (g) any other related matter.

2. That the committee report by Tuesday 17 November 2015.

### **3.2 Closing date for submissions**

The committee noted the closing date for submissions of 14 August 2015, as previously agreed to by email.

### **3.3 Stakeholder list**

Resolved, on the motion of Dr Kaye: That members have until 9.00 am on Monday 29 June 2015 to nominate additional stakeholders.

### **3.4 Advertising**

The committee noted that the inquiry will be advertised via twitter, stakeholder letters and a media release distributed to all media outlets in New South Wales.

### **3.5 Hearing, site visit and report deliberative dates**

Resolved, on the motion of Mr Wong: That the committee hold:

- a) site visits in Coffs Harbour and Lismore on Friday 11 September 2015
- b) site visits in the Hunter on Friday 18 September 2015
- c) public hearings in Sydney on Tuesday 22 September and Wednesday 23 September 2015
- d) site visits in Wollongong and Nowra on a date to be confirmed in October 2015, subject to the Chair confirming members' availability
- e) the report deliberative on Monday 9 November 2015.

## **4. Next meeting**

The committee adjourned at 1.22 pm, *sine die*.

Sharon Ohnesorge  
**Committee Clerk**

**Minutes No. 7**

Wednesday 12 August 2015

General Purpose Standing Committee No. 6

Room 1254, Parliament House, Sydney, at 2.02 pm

**1. Members present**

Mr Green, *Chair*

Mr Amato, *Deputy Chair*

Ms Cusack

Mr Farlow

Dr Kaye (*via teleconference*)

Mr Mookhey

Mr Wong

**2. Previous minutes**

Resolved, on the motion of Mr Farlow: That draft minutes no. 4 be confirmed.

**3. Inquiry into vocational education and training in New South Wales****3.1 Regional site visits**

The committee noted that it had previously agreed to hold regional site visits in:

- Coffs Harbour and Lismore on Friday 11 September 2015 – travel by charter plane
- the Hunter on Friday 18 September 2015 – travel by bus
- Wollongong and Nowra on Monday 12 October 2015 – travel by bus.

The committee considered the itineraries proposed by the chair and by Dr Kaye, as well as alternative itineraries arising from concerns raised by Ms Cusack about the use of charter flights.

Ms Cusack moved: That the committee adopt the following itinerary for the North Coast site visit:

- commercial flight from Sydney to Coffs Harbour, approximate departure 7.00 am
- tour and public hearing at Coffs Harbour TAFE
- bus to Grafton
- public hearing at Grafton TAFE
- a bus to be organised to transport students from Wollongbar, Lismore and Ballina to Grafton for the public hearing
- commercial flight from Grafton to Sydney, approximate arrival 6.30 pm.

The committee agreed to defer consideration of the proposal, pending discussion between Ms Cusack and Dr Kaye regarding the possibility of accommodating aspects of his proposed itinerary. The revised itinerary will be circulated by email.

Mr Amato moved: That the committee adopt the chair's proposed itinerary for the Hunter site visit:

- bus to Belmont TAFE, approximate departure 7.00 am
- tour, informal meeting with teachers and students
- bus to Newcastle
- tour, public hearing at Newcastle TAFE
- bus to Sydney, approximate arrival 6.30 pm.

Question put.

The committee divided.

Ayes: Mr Amato, Ms Cusack, Mr Farlow, Mr Green.

Noes: Dr Kaye, Mr Mookhey, Mr Wong.

Question resolved in the affirmative.

Resolved, on the motion of Dr Kaye: That the committee adopt Dr Kaye's proposed itinerary for the South Coast/Illawarra site visit:

- bus to Nowra, approximate departure 6.30 am
- tour and public hearing at Nowra TAFE
- bus to Wollongong
- public hearing at Wollongong TAFE
- bus to Sydney, approximate arrival 8.00 pm.

### **3.2 Briefing**

Resolved, on the motion of Mr Amato: That the committee hold one briefing from State Training Services (NSW Department of Industry) on the Smart and Skilled reforms, and that the secretariat canvass members' availability for lunchtime on a sitting day.

## **4. Next meeting**

The committee adjourned at 2.25 pm, until 7.30 am on Monday 17 August 2015.

Sharon Ohnesorge  
**Committee Clerk**

## **Minutes No. 15**

Thursday 10 September 2015

General Purpose Standing Committee No. 6

Waratah Room, Parliament House, Sydney, at 1.04 pm

### **1. Members present**

Mr Green, *Chair*

Mr Amato, *Deputy Chair*

Ms Cusack

Mr Donnelly (substituting for Mr Wong for the duration of the inquiry into vocational education and training in New South Wales)

Mr Farlow

Dr Kaye

### **2. Correspondence**

The committee noted the following items of correspondence:

#### ***Received:***

- 25 August 2015 - Email from the Opposition Whip in the Legislative Council to secretariat, advising that Mr Donnelly will be substituting for Mr Wong for the duration of the inquiry into vocational education and training in New South Wales.

### **3. Inquiry into vocational education and training in New South Wales**

#### **3.1 Briefing by Skills and Industry Division, NSW Department of Industry**

The committee was briefed by Mr David Collins, Executive Director, Market Quality and Operations, Skills and Industry Division, NSW Department of Industry, who provided background information on the issues being considered in the inquiry.

#### 4. Adjournment

The committee adjourned at 2.04 pm, until 6.45 am, Friday 11 September 2015 at Sydney Airport.

Sharon Ohnesorge  
**Clerk to the Committee**

#### Minutes No. 16

Friday 11 September 2015  
 General Purpose Standing Committee No. 6  
 Sydney Airport at 6.45 am

#### 1. Members present

Mr Green, *Chair*  
 Mr Amato, *Deputy Chair*  
 Ms Cusack (from 9.35 am)  
 Mr Donnelly  
 Mr Farlow  
 Dr Kaye  
 Mr Mookhey

#### 2. Correspondence

The committee noted the following items of correspondence:

##### *Received:*

- 7 September 2015 – Email from Mr Daniel Newlan, Senior Policy Adviser, Office of the Hon John Barilaro MP to secretariat, advising that Elizabeth McGregor is unable to appear as a witness at the Lismore public hearing, and nominating a replacement
- 9 September 2015 – Email from Michael Lehman, General Manager, WesTrac Institute to secretariat, declining invitation to appear witness at the Newcastle public hearing
- 9 September 2015 – Email from Ms Kristen Keegan, Chief Executive Officer, Hunter Business Chamber to secretariat, declining invitation to appear witness at the Newcastle public hearing.

#### 3. Inquiry into vocational education and training in New South Wales

##### 3.1 Partially confidential submissions – for consideration

Resolved, on the motion of Mr Donnelly: That the committee authorise the publication of submission no. 113, with the exception of the names of third parties and sensitive information regarding a third party, as per the recommendation of the secretariat.

##### 3.2 Attachments to submissions – for consideration

Resolved, on the motion of Dr Kaye: That the committee authorise the publication of attachment 1 to submission no. 231 (Unions NSW), with the exception of names of third parties, as per the recommendation of the secretariat.

#### 4. Site visit and public hearing – Wollongbar TAFE campus

The committee travelled to TAFE NSW North Coast Institute, Wollongbar campus.

Ms Cusack joined the meeting.

The committee undertook a tour of the aviation learning centre and inspected the assessment goggles at the campus hairdressing salon.

#### 4.1 Public hearing

Witnesses, the public and media were admitted.

The chair made an opening statement regarding the broadcasting of proceedings and other matters.

The following witnesses were sworn and examined:

- Mr Mark Jewell, Disability Consultant, TAFE NSW North Coast Institute
- Mr Greg Holihan, Head Teacher – Horticulture, TAFE NSW North Coast Institute
- Mr Dave Carey, Part-time Casual teacher – Science and Laboratory, TAFE NSW North Coast Institute
- Mr Graham Armstrong, Head Teacher – Automotive and Vehicle Repair, TAFE NSW North Coast Institute.

Mr Carey tendered the following document:

- opening statement.

The evidence concluded and the witnesses withdrew.

The following witnesses were sworn and examined:

- Mr Joseph Anthonysz, Chief Executive Officer, SAE Southern Region
- Ms Kristen Clarke General Manager, SAE National VET Manager
- Mr Jeff Green, All Excavations Training.

Mr Anthonysz tendered the following document:

- presentation entitled 'SAE Qantm Creative Media Institute'.

The evidence concluded and the witnesses withdrew.

The public and media withdrew.

The public hearing concluded at 12.03 pm.

The committee attended a morning tea with local TAFE teachers and students.

#### 5. Site visit and public hearing – Lismore TAFE campus

The committee travelled to TAFE NSW North Coast Institute, Lismore campus.

The committee met with TAFE staff and visited an Aboriginal and Torres Strait Islander Health class.

##### 5.1 Public hearing

Witnesses, the public and media were admitted.

The chair made an opening statement regarding the broadcasting of proceedings and other matters.

The following witness was sworn and examined:

- Ms Lindy Kemp, Director TAFE Services, North Coast NSW.

The evidence concluded and the witness withdrew.

The following witness was sworn and examined:

- Ms Katherine Nicholson, Post Schools Organiser, NSW Teachers Federation.

The evidence concluded and the witness withdrew.

The following witness was sworn:

- Mr Simon Mahoney, student, TAFE NSW North Coast Institute.

The following Auslan interpreters were sworn to assist Mr Mahoney:

- Mr David Barnes
- Ms Belinda Roberts.

Mr Mahoney was examined.

The evidence concluded and the witness and interpreters withdrew.

The following witnesses were sworn and examined:

- Mr Simon Stahl, Chief Executive Officer, Northern Co-operative Meat Company
- Mr Corey Aleckson, HR Manager, Northern Co-operative Meat Company.

The evidence concluded and the witnesses withdrew.

The public and media withdrew.

The public hearing concluded at 4.09 pm.

The committee attended an afternoon tea with local TAFE teachers and students.

### 5.2 Redaction of sensitive information

Resolved, on the motion of Dr Kaye: That the committee redact the name of the private training provider named in the evidence given by Katherine Nicholson on the basis of adverse mention, to be reconsidered subject to the provision of evidence by Ms Nicholson.

### 5.3 Tendered documents during the hearing

Resolved, on the motion of Dr Kaye: That the committee accept and publish the following documents tendered during the public hearings:

- opening statement of Mr Carey
- presentation entitled 'SAE Qantm Creative Media Institute' tendered by Mr Anhonysz.

## 6. Adjournment

The committee adjourned at 4.15 pm, until 6.30 am, Friday 18 September 2015 at Parliament House, Macquarie Street Sydney (site visits and public hearing in Belmont and Newcastle).

Sharon Ohnesorge  
Clerk to the Committee

## Minutes No. 17

Friday 18 September 2015

General Purpose Standing Committee No. 6

Parliament House, Macquarie Street, Sydney at 6.30 am

### 1. Members present

Mr Green, *Chair*

Mr Amato, *Deputy Chair*

Ms Cusack

Mr Donnelly (from 9.20 am)

Mr Farlow

Dr Kaye

### 2. Apologies

Mr Mookhey

### 3. Inquiry into vocational education and training in New South Wales

#### 3.1 Site visit – Belmont TAFE campus

The committee travelled to TAFE NSW Hunter Institute, Belmont campus.

Mr Donnelly joined the meeting.

The committee undertook a tour of the campus's electrotechnology flexible delivery centre.

The committee attended a morning tea and forum with local TAFE teachers and students.

### **3.2 Site visit and public hearing – Newcastle TAFE campus**

The committee travelled to TAFE NSW Hunter Institute, Newcastle campus.

The committee undertook a tour of the campus's maritime bridge simulator facility.

The committee held a public hearing in the Riddell Theatre, Newcastle TAFE campus.

Witnesses, the public and media were admitted.

The chair made an opening statement regarding the broadcasting of proceedings and other matters.

The following witness was sworn and examined:

- Mr Gavin Manning, National Apprentice Development Systems Manager, Komatsu Australia.

The evidence concluded and the witness withdrew.

The following witnesses were sworn and examined:

- Ms Pat Forward, Federal TAFE Secretary and Deputy Federal Secretary, Australian Education Union
- Mr Daniel Wallace, Secretary, Newcastle Trades Hall Council.

The evidence concluded and the witnesses withdrew.

The following witness was sworn and examined:

- Ms Marie Larkings, Director, TAFE NSW Hunter Institute.

The evidence concluded and the witness withdrew.

The following witnesses were sworn and examined:

- Mr John Coyle, Director, Hunternet Group Training Company
- Ms Karen Kearns, Chief Executive Officer and Director of Studies, International Child Care College
- Ms Leisa Harrison, Senior Manager, Essential Skills Training & Recruitment
- Mr Duncan Passmore, Chief Executive Officer, Passmores College.

Ms Kearns tendered the following document:

- submission to the inquiry.

Ms Harrison tendered the following document:

- opening statement.

Mr Passmore tendered the following document:

- opening statement.

The evidence concluded and the witnesses withdrew.

The following witnesses were sworn and examined:

- Mr Tim Andrews, TAFE Counsellor, TAFE NSW Hunter Institute, Kurri Kurri and Cessnock campuses
- Ms Terri Quinlan, Part-time Casual IT Teacher and TVET Coordinator, TAFE NSW Hunter Institute
- Mr Michael Dyer, Teacher – Electrical Trades, TAFE NSW Hunter Institute, Muswellbrook campus
- Mr Mark Powell, Teacher – Commercial Cookery, TAFE NSW Hunter Institute, Hamilton campus.

The evidence concluded and the witnesses withdrew.

The public and media withdrew.

The public hearing concluded at 3.30 pm.

### **3.3 Tendered documents during the hearing**

Resolved, on the motion of Mr Donnelly: That the committee accept and publish the following documents tendered during the public hearing:

- submission of Ms Kearns
- opening statement of Ms Harrison
- opening statement of Mr Passmore.

#### 4. Correspondence

The committee noted the following items of correspondence:

##### ***Received:***

- 13 September 2015 – Opening statement of Ms Lindy Kemp, Director TAFE Services, North Coast NSW, given at public hearing at Lismore on 11 September 2015
- 16 September 2015 – Email from Ms Christine Warrington, Director, TAFE NSW Hunter Institute to secretariat, advising that she is unable to give evidence on 18 September 2015 due to ill health.

Resolved, on the motion of Dr Kaye: That the committee accept and publish the opening statement of Lindy Kemp given at Lismore TAFE on 11 September 2015.

#### 5. Adjournment

The committee adjourned at 3.34 pm, until 9.15 am, Tuesday 22 September 2015 at Parliament House, Sydney (public hearing in Sydney).

Sharon Ohnesorge  
Clerk to the Committee

### **Minutes No. 18**

Tuesday 22 September 2015  
General Purpose Standing Committee No. 6  
Parliament House, Macquarie Street, Sydney at 9.17 am

#### 1. Members present

Mr Green, *Chair*  
Mr Amato, *Deputy Chair*  
Ms Cusack  
Mr Donnelly  
Mr Farlow  
Dr Kaye  
Mr Mookhey

#### 2. Draft minutes

Resolved, on the motion of Mr Amato: That draft minutes no. 7, 15 and 16 be confirmed.

#### 3. Correspondence

The committee noted the following items of correspondence:

##### ***Sent:***

- 24 August 2015 – Letter from chair to the Hon John Barilaro MP, Minister for Skills, advising committee will be visiting TAFE campuses on 11 and 18 September and 12 October 2015
- 24 August 2015 – Letter from chair to Ms Tamara Smith, Member for Ballina, advising committee will be visiting electorate on 11 September 2015

- 24 August 2015 – Letter from chair to the Hon Thomas George, Member for Lismore, advising committee will be visiting electorate on 11 September 2015
- 24 August 2015 – Letter from chair to Ms Yasmin Catley, Member for Swansea, advising committee will be visiting electorate on 18 September 2015
- 24 August 2015 – Letter from chair to Mr Tim Crakanthorp, Member for Newcastle, advising committee will be visiting electorate on 18 September 2015
- 24 August 2015 – Letter from chair to the Hon Shelley Hancock, Member for South Coast, advising committee will be visiting electorate on 12 October 2015
- 24 August 2015 – Letter from chair to Ms Noreen Hay, Member for Wollongong, advising committee will be visiting electorate on 12 October 2015
- 10 September 2015 – Letter from chair to the Hon John Barilaro MP, Minister for Skills, inviting him to appear as a witness at the public hearing in Sydney on 22 September 2015
- 10 September 2015 – Email from secretariat to Mr David Collins, Executive Director, Market Quality and Operations, Skills and Industry Division, NSW Department of Industry, with members' questions arising from the informal briefing delivered by Mr Collins to the committee.

***Received:***

- 25 June 2015 – Email from Mr Phil Loveder, Manager, Research Operations and Director, International, National Centre for Vocational Education Research (NCVER) to secretariat, drawing the Committee's attention to a recent NCVER research report and advising they will not be making a submission
- 1 July 2015 – Letter from Ms Patricia Neden, Chief Executive Officer, Innovation and Business Skills Australia, advising that they have no comments to make to the inquiry
- 2 July 2015 – Letter on behalf of Ms Kathryn Campbell, Secretary, Department of Human Services, Commonwealth Government, advising that they will not be making a submission
- 5 July 2015 – Email from Ms Diana Qian, Senior Policy Officer, Disability Council NSW to secretariat, advising that due to limited resources they may not make a submission
- 15 July 2015 – Email from Ms Kate Davidson, Chief Executive Officer, Community Colleges Australia, advising that they will be making a submission and requesting to appear as a hearing witness
- 20 July 2015 – Email from Dr Craig Fowler, Managing Director, National Centre for Vocational Education Research (NCVER) to secretariat, advising of upcoming publication "Total VET Activity Collection", to be published in October 2015
- 23 July 2015 – Email from an individual regarding allegations made in his submission
- 19 August 2015 – Email from Tony Wenham, General Manager, myfreightcareer Front-Line to secretariat, advising that they will not be making a submission
- 11 September 2015 – Email from Ms Ellen Lintjens, Senior Project Manager, Skills and Industry Division, NSW Department of Industry to secretariat, providing responses to members' questions arising from the informal briefing delivered by Mr David Collins, Executive Director, Market Quality and Operations, to the committee
- 11 September 2015 – Email from Ms Ellen Lintjens, Senior Project Manager, Skills and Industry Division, NSW Department of Industry to secretariat, attaching Terms of Reference for the independent review of Smart and Skilled suitable for publication by the committee
- 16 September 2015 – Email from Ms Fiona Towers, Independent Pricing and Regulatory Tribunal to secretariat, declining invitation to appear as a witness
- 16 September 2015 – Email from Ms Ellen Lintjens, Senior Project Manager, Skills and Industry Division, NSW Department of Industry to secretariat, providing further responses to members' questions
- 17 September 2015 – Email from Ms Una Harris, Executive Assistant to the CEO, Manufacturing Skills Australia to secretariat, declining invitation for Bob Paton to appear as a witness.

Resolved, on the motion of Mr Donnelly: That the committee authorise the publication of:

- presentation entitled 'Smart and Skilled', delivered to the committee at an informal briefing on 10 September 2015 by Mr David Collins, Executive Director, Market Quality and Operations, Skills and Industry Division, NSW Department of Industry
- Terms of Reference for the independent review of Smart and Skilled by the NSW Skills Board.

#### 4. Inquiry into vocational education and training in New South Wales

##### 4.1 Public submissions

Resolved, on the motion of Dr Kaye: That the committee note that the following submissions were published by the committee clerk under the authorisation of the resolution establishing the committee: submission nos. 2-4, 6-40, 61-64, 67, 73-74, 76, 80-84, 89-92, 94, 96-97, 99-103, 121, 125-146, 147 (including attachments 1 and 3), 148, 152-154, 156, 173, 175, 178-179, 181, 183, 185-213, 215-218, 220-222, 224-227, 229-231, 233-237, 239-241, 243-256, 261-262, 270.

##### 4.2 Partially confidential submissions – name suppressed

Resolved, on the motion of Mr Donnelly: That the committee keep the following information confidential, as per the request of the author: names and/or identifying information in submissions nos. 1, 41-54, 57-60, 66, 68-69, 71-72, 75, 77-78, 71a, 85-88, 93, 98, 106-110, 112, 114-119, 122, 124, 149, 151, 155, 157-160, 162-172, 174, 176-177, 180, 182, 184, 214, 219, 223, 238, 257, 263-267.

##### 4.3 Partially confidential submissions – for consideration

Resolved, on the motion of Dr Kaye: That the committee:

- authorise the publication of submission nos. 5, 56, 70, 95, 104-105, 111, 120, 123, 228, 242 and 271 with the exception of the names of third parties, as per the recommendation of the secretariat
- authorise the publication of submission nos. 161 and 269 with the exception of identifying information, given the author has requested their name be suppressed, as per the recommendation of the secretariat
- authorise the publication only of the recommendations contained in submission no. 272, as per the recommendation of the secretariat, as the balance of the submission contains adverse mention.

##### 4.4 Confidential submissions – for consideration

Resolved, on the motion of Dr Kaye: That the committee keep submission nos. 65, 79, 150, 232, 258, 260 and 268 confidential, as per the request of the author.

Resolved, on the motion of Dr Kaye: That the committee keep submission no. 55 confidential, as per the recommendation of the secretariat, as it contains potential adverse mention.

##### 4.5 Attachments to submissions – for consideration

Resolved, on the motion of Dr Kaye: That the committee authorise the publication of attachment 3 to submission no. 262 (OTEN Branch of TAFE Teachers Association), with the exception of information identifying third parties, as per the recommendation of the secretariat.

##### 4.6 Answers to questions on notice

Resolved, on the motion of Mr Donnelly: That the committee keep confidential the answer to a question on notice provided by Katherine Nicholson on 11 September 2015, and continue to keep confidential the training provider named in her evidence of 11 September 2015.

##### 4.7 Sequence of questions at hearings

Resolved, on the motion of Mr Farlow: That the sequence of questions to be asked at the hearings alternate between witnesses as follows:

- opposition, crossbench and government members, in that order
- government, crossbench and opposition members, in that order.

##### 4.8 Public hearing

Witnesses, the public and media were admitted.

The chair made an opening statement regarding the broadcasting of proceedings and other matters.

The following witness was sworn and examined:

- Mr David Collins, Executive Director, Market Quality and Operations, Skills and Industry Division, NSW Department of Industry.

The evidence concluded and the witness withdrew.

The following witness was sworn and examined:

- Ms Pam Christie, Managing Director, TAFE NSW.

Mr Farlow tendered the following document:

- McDougall, Bruce, 'TAFE pay claim a bit rich', *Daily Telegraph*, Sydney, 13 August 2015, p 17.

The evidence concluded and the witnesses withdrew.

The chair noted that members of Parliament swear an oath to their office, and therefore do not need to be sworn prior to giving evidence before a committee.

The following witness was examined on a former oath:

- The Hon. John Barilaro MP, Minister for Skills.

Mr Barilaro tendered the following document:

- opening statement to hearing.

The evidence concluded and the witness withdrew.

Ms Cusack tendered the following document:

- screenshot of the document she quoted from during questioning on Dr Kaye's website.

The following witnesses were sworn and examined:

- Ms Maxine Sharkey, Assistant General Secretary (Post-school Education), NSW Teachers Federation
- Mr Maurie Mulheron, President, NSW Teachers Federation
- Mr Steve Turner, Acting General Secretary, Public Service Association of NSW
- Mr Leon Parissi, Central Councillor & Chair of TAFE Departmental Committee, Public Service Association of NSW.

The evidence concluded and the witnesses withdrew.

The following witnesses were sworn and examined:

- Mr Rod Camm, Chief Executive Officer, Australian Council for Private Education and Training
- Mr Peter McDonald, NSW Executive Officer, Australian Council for Private Education and Training
- Mr Gary Redman, Member, Australian Council for Private Education and Training and Chief Executive Officer, Training Experts Australia Pty Ltd.

The evidence concluded and the witnesses withdrew.

The following witnesses were sworn and examined:

- Mr Andrew Newman, Deputy President, NSW Secondary Principals Council
- Mr Brett Carr, Member, NSW Deputy Secondary Principals Council.

The evidence concluded and the witnesses withdrew.

The following witnesses were sworn and examined:

- Mr David Bare, Executive Director – NSW, Housing Industry Association
- Ms Melanie Foster, Executive Director – Industry Capability, Policy & Lobbying, Housing Industry Association.

Mr Bare tendered the following document:

- opening statement to hearing.

The following witnesses were sworn and examined:

- Mr Paul Orton, Director, Policy and Advocacy, NSW Business Chamber
- Mr Nick Minto, Education and Training Policy Adviser, NSW Business Chamber

Mr Minto tendered the following documents:

- NSW Business Chamber recommendations for the inquiry
- NSW Business Chamber, *Paving the Pathway, Addressing Post Year 10 Education*
- McVicar D and Polidano C, *If You Get What You Want, Do You Get What You Need? Course Choice and Achievement Effects of a Vocational Education and Training Voucher Scheme*, Melbourne Institute Working Paper Series, Working Paper No. 6/15, Faculty of Business & Economics, The University of Melbourne.

The evidence concluded and the witnesses withdrew.

The public and media withdrew.

The public hearing concluded at 5.32 pm.

#### **4.9 Tendered documents during the hearing**

Resolved, on the motion of Mr Donnelly: That the committee accept and publish the following documents tendered during the public hearing:

- McDougall, Bruce, 'TAFE pay claim a bit rich', Daily Telegraph, Sydney, 13 August 2015, p 17
- opening statement of Minister Barilaro
- screenshots of the document quoted from by Ms Cusack during questioning on Dr Kaye's website
- opening statement of Mr Bare
- NSW Business Chamber recommendations for the inquiry
- NSW Business Chamber, *Paving the Pathway, Addressing Post Year 10 Education*
- McVicar D and Polidano C, *If You Get What You Want, Do You Get What You Need? Course Choice and Achievement Effects of a Vocational Education and Training Voucher Scheme*, Melbourne Institute Working Paper Series, Working Paper No. 6/15, Faculty of Business & Economics, The University of Melbourne.

#### **4.10 Supplementary questions**

Resolved, on the motion of Mr Donnelly: That the deadline for supplementary questions from the public hearing on 18 September 2015 be extended to 4.30 pm on Thursday 24 September 2015.

### **5. Adjournment**

The committee adjourned at 5.34 pm, until 9.30 am, Wednesday 23 September 2015.

Sharon Ohnesorge  
**Clerk to the Committee**

**Minutes No. 19**

Wednesday 23 September 2015

General Purpose Standing Committee No. 6

Parliament House, Macquarie Street, Sydney at 9.30 am

**1. Members present**Mr Green, *Chair*Mr Amato, *Deputy Chair*

Ms Cusack (until 4.42 pm)

Mr Donnelly

Mr Farlow

Dr Kaye

Mr Mookhey

**2. Inquiry into vocational education and training in New South Wales****2.1 Public hearing**

Witnesses, the public and media were admitted.

The chair made an opening statement regarding the broadcasting of proceedings and other matters.

The following witnesses were sworn and examined:

- Cr Andrew Guile, Corporate Affairs Manager, Sydney Anglican Schools Corporation
- Mrs Gaynor MacKinnon, Principal, Trades Norwest Anglican Senior College.

Cr Guile tendered the following document:

- opening statement to hearing.

Mrs MacKinnon tendered the following document:

- *Your organisation's 2015 Smart and Skilled Contract Application Feedback Summary*, NSW Now, The new state of business, Office of Education, NSW Education and Communities.

The evidence concluded and the witnesses withdrew.

The following witness was sworn and examined:

- Mr Kevin Heys, Spokesperson, TAFE Community Alliance.

Mr Heys tendered the following documents:

- opening statement to hearing
- Heys K, *The ever changing world of TAFE NSW*, Monograph No. 32, March 1998, The Australian College of Education New South Wales Chapter
- Goozee G, *From Tech to TAFE 1949 – 1997*, Retired NSW TAFE Officers' Association 2013.

The evidence concluded and the witness withdrew.

The following witnesses were sworn and examined:

- Mr Tony Dwyer, Acting Executive Director, Rural Skills Australia
- Mr Rod Cooke, Chief Executive Officer, Community Services and Health Industry Skills Council
- Dr Brendan Goodger, Policy and Research Manager, Community Services and Health Industry Skills Council
- Mr Norm Cahill, Executive Officer, NSW Utilities and Electrotechnology Industry Training Advisory Body (ITAB).

Mr Dwyer tendered the following documents:

- opening statement to hearing
- National Farmers' Federation, *National Agribusiness Education, Skills and Labour Taskforce (NEST)*, National Agriculture Workforce Development Plan, June 2014
- Brochure, *AHCIO Qualifications and Australian Apprenticeships Guide*, Rural Skills Australia.

Mr Cooke tendered the following document:

- *Building a healthy future: Skills, Planning and Enterprise*, 2015 Environmental Scan, Community Services and Health Industry Skills Council.

The evidence concluded and the witnesses withdrew.

The following witnesses were sworn and examined:

- Mr Mark Goodsell, NSW Director, Australian Industry Group
- Ms Gail Silman, Education and Training Advisor, Australian Industry Group.

The evidence concluded and the witnesses withdrew.

The following witnesses were sworn and examined:

- Dr Geoff Newcombe, Executive Director, Association of Independent Schools of NSW Ltd
- Mr Darryl Buchanan, Senior Director – Director Professional Learning, Association of Independent Schools of NSW Ltd
- Mr Ian Baker, Director – Education Policy and Programs, Catholic Education Commission NSW
- Mrs Sue Watts, VET Manager – Catholic Schools Office – Diocese of Lismore.

Dr Newcombe tendered the following document:

- opening statement to hearing.

The evidence concluded and the witnesses withdrew.

The following witness was sworn and examined:

- Ms Kerrin McCormack, private individual.

Ms McCormack tendered the following documents:

- Summary of recommendations, *Transition support for students with additional or complex needs and their families*, Legislative Council Report 45, March 2012
- Case examples
- *NSW Suicide Prevention Strategy 2010-2015*, A whole of government strategy promoting a whole of community approach, NSW Health
- Summary of Services – Standards for NVR Registered Training Organisations
- Summary of Services – Tertiary Education Quality Standards Agency Act 2011
- CICA – The National Peak Body for the Career Industry
- Online advertisement, including position description, for TAFE NSW Student Support Officer, jobs.nsw
- Blueprint, Australian Blueprint for Career Development, Ministerial Council on Education, Employment, Training and Youth Affairs, Department of Education, Employment and Workplace Relations.

The evidence concluded and the witness withdrew.

The following witnesses were sworn and examined:

- Mr John Macmillan, Senior Sector Development Officer, National Disability Services
- Ms Therese Sands, Co-Chief Executive Officer, People with Disability Australia Ltd
- Ms Ngila Bevan, Manager, Advocacy Projects and Communication, People with Disability Australia Ltd.

The evidence concluded and the witnesses withdrew.

Ms Cusack left the meeting.

The following witnesses were sworn and examined:

- Ms Cindy Berwick, President, NSW Aboriginal Education Consultative Group Inc
- Mr Merv Donovan, Executive Officer, NSW Aboriginal Education Consultative Group Inc.

The evidence concluded and the witnesses withdrew.

The public and media withdrew.

The public hearing concluded at 5.15 pm.

## **2.2 Partially confidential submissions – for consideration**

Resolved, on the motion of Mr Farlow: That the committee authorise the publication of submission no. 259, with the exception of the names of individual third parties, as per the recommendation of the secretariat.

Resolved, on the motion of Mr Donnelly: That the committee keep names and/or identifying information in submissions no. 239 confidential, as per the request of the author.

## **2.3 Tended documents during the hearing**

Resolved, on the motion of Dr Kaye: That the committee accept and publish the following documents tendered during the public hearing:

- opening statement of Cr Guile
- 'Your organisation's 2015 Smart and Skilled Contract Application Feedback Summary', NSW Now, The new state of business, Office of Education, NSW Education and Communities
- opening statement of Mr Heys
- Heys K, *The ever changing world of TAFE NSW*, Monograph No. 32, March 1998, The Australian College of Education New South Wales Chapter
- Goozee G, *From Tech to TAFE 1949 – 1997*, Retired NSW TAFE Officers' Association 2013
- opening statement of Mr Dwyer
- National Farmers' Federation, *National Agribusiness Education, Skills and Labour Taskforce (NEST)*, National Agriculture Workforce Development Plan, June 2014
- Brochure, *AHCIO Qualifications and Australian Apprenticeships Guide*, Rural Skills Australia
- *Building a healthy future: Skills, Planning and Enterprise*, 2015 Environmental Scan, Community Services and Health Industry Skills Council
- opening statement of Dr Newcombe
- Summary of recommendations, *Transition support for students with additional or complex needs and their families*, Legislative Council Report 45, March 2012
- Case examples
- *NSW Suicide Prevention Strategy 2010-2015*, A whole of government strategy promoting a whole of community approach, NSW Health
- Summary of Services – Standards for NVR Registered Training Organisations
- Summary of Services – Tertiary Education Quality Standards Agency Act 2011
- CICA – The National Peak Body for the Career Industry
- Online advertisement, including position description, for TAFE NSW Student Support Officer, jobs.nsw
- Blueprint, Australian Blueprint for Career Development, Ministerial Council on Education, Employment, Training and Youth Affairs, Department of Education, Employment and Workplace Relations.

## **2.4 Supplementary questions**

Resolved, on the motion of Mr Farlow: That the deadline for supplementary questions from the public hearing on 22 September 2015 be extended to 9.00 am on Monday 28 September 2015.

Resolved, on the motion of Dr Kaye: That the deadline for supplementary questions from the public hearing on 23 September 2015 be extended to 9.00 am on Tuesday 29 September 2015.

### **2.5 Additional hearing and site visit**

Resolved, on the motion of Dr Kaye: That the committee hold an additional public hearing in Sydney and conduct a site visit to Dubbo, with dates and witnesses to be negotiated by the chair in consultation with members.

### **2.6 Extension of report tabling date**

Resolved, on the motion of Dr Kaye: That the committee authorise the chair to seek the permission of the House to extend the reporting date to 15 December 2015.

## **3. Adjournment**

The committee adjourned at 5.21 pm, until 6.30 am, Monday 12 October 2015 at Parliament House, Sydney (site visits to Nowra and Wollongong).

Sharon Ohnesorge

**Clerk to the Committee**

## **Minutes No. 21**

Monday 12 October 2015

General Purpose Standing Committee No. 6

Parliament House, Macquarie Street, Sydney at 6.30 am

### **1. Members present**

Mr Green, *Chair* (from 9.25 am)

Mr Amato, *Deputy Chair* (from 9.25 am)

Mr Farlow

Mrs Houssos (substituting for Mr Mookhey from 9.25 am until 12.30 pm)

Dr Kaye

Ms Voltz (substituting for Mr Mookhey from 2.20 pm)

### **2. Apologies**

Ms Cusack

Mr Donnelly

### **3. Draft minutes**

Resolved, on the motion of Dr Kaye: That draft minutes no. 17, 18 and 19 be confirmed.

### **4. Correspondence**

The committee noted the following items of correspondence:

#### ***Sent:***

- 27 August 2015 – Letter from chair to Ms Pam Christie, Managing Director, TAFE NSW, regarding protection of TAFE NSW staff participating in the inquiry.

#### ***Received:***

- 23 September 2015 – Email from Mr Bill Feld, Managing Director and Chief Executive Officer, Big Fat Smile to secretariat, declining invitation to appear as a witness at the public hearing in Wollongong
- 6 October 2015 – Letter from Mr David Riordan, A/Managing Director, TAFE NSW to chair, acknowledging chair's letter of 27 August 2015.

## **5. Inquiry into vocational education and training in New South Wales**

### **5.1 Site visit and public hearing – Nowra TAFE campus**

The committee travelled to TAFE NSW Illawarra Institute, Nowra campus.

The committee undertook a tour of the campus's hospitality and community services teaching areas, including the commercial cookery facilities.

The committee held a public hearing in Room L.1.03, Nowra TAFE campus.

Witnesses, the public and media were admitted.

The chair made an opening statement regarding the broadcasting of proceedings and other matters.

The following witnesses were sworn and examined:

- Mr Rob Long, Post Schools Organiser, NSW Teachers Federation
- Mr Ted Clapham, Head Teacher – Carpentry, TAFE NSW Illawarra Institute
- Mr Keith Bourke, Teacher Consultant, TAFE NSW Illawarra Institute
- Ms Liz Henigan, Head Teacher – Community Services, Human Services, Tourism and Hospitality, TAFE NSW Illawarra Institute
- Ms Di Laver, Former Senior Head Teacher – Faculty of Tourism and Hospitality, TAFE NSW Illawarra Institute.

The evidence concluded and the witnesses withdrew.

The following witness was sworn and examined:

- Ms Nicky Sloan, Chief Executive Officer, Illawarra Forum Inc.

The evidence concluded and the witness withdrew.

The following witness was sworn and examined:

- Mr John Lamont, Managing Director, Nowra Chemical Manufacturers Pty Ltd.

The evidence concluded and the witness withdrew.

The public and media withdrew.

The public hearing concluded at 12.02 pm.

The committee attended a morning tea with local TAFE teachers and students.

### **5.2 Site visit and public hearing – Wollongong TAFE campus**

The committee travelled to TAFE NSW Illawarra Institute, Wollongong campus.

The committee undertook a tour of the campus's trades teaching areas, including the metal fabrication, fitting and machinery, bricklaying, and carpentry and joinery facilities.

The committee held a public hearing in the Block P Auditorium, Wollongong TAFE campus.

Witnesses, the public and media were admitted.

The chair made an opening statement regarding the broadcasting of proceedings and other matters.

The following witness was sworn and examined:

- Ms Dianne Murray, Director, TAFE NSW Illawarra Institute.

Ms Murray tendered the following documents:

- opening statement to hearing.

The evidence concluded and the witness withdrew.

The following witnesses were sworn and examined:

- Ms Narelle Clay AM, Chief Executive Officer, Southern Youth and Family Services
- Ms Eleonore Johanson, General Manager, Southern Youth and Family Services.

The evidence concluded and the witnesses withdrew.

The following witnesses were sworn and examined:

- Ms Tania Tsiamis, General Manager, IRT College
- Ms Amanda Calwell-Smith, Chief Executive Officer, Essentra Learning
- Mr Mark Sewell, Chief Executive Officer, Warrigal Care.

The evidence concluded and the witnesses withdrew.

The following witnesses were sworn and examined:

- Ms Lorraine Watson, Teacher Consultant, TAFE NSW Illawarra Institute
- Mr Terry Kofod, Head Teacher, TAFE NSW Illawarra Institute
- Mr Arthur Rorris, Secretary, South Coast Labour Council.

The evidence concluded and the witnesses withdrew.

The following witnesses were sworn and examined:

- Ms Kate Adams, Manager, Professional Services, NSW Nurses and Midwives' Association
- Dr Janet Roden, Professional Officer, NSW Nurses and Midwives' Association
- Mr Phillipe Millard, Professional Officer, NSW Nurses and Midwives' Association.

The evidence concluded and the witnesses withdrew.

The public and media withdrew.

The public hearing concluded at 6.01 pm.

### **5.3 Sequence of questions at hearing**

Resolved, on the motion of Ms Voltz: That the committee note that the sequence of questions asked at the hearing alternated between crossbench, opposition and government members, in that order, with equal time allocated to each.

### **5.4 Tendered documents during the hearing**

Resolved, on the motion of Mr Farlow: That the committee accept and publish the following documents tendered during the public hearing:

- opening statement of Ms Murray.

## **6. Adjournment**

The committee adjourned at 6.03 pm, until 7.30 am, Tuesday 3 November 2015 at Sydney Airport (site visit to Dubbo).

Sharon Ohnesorge  
Clerk to the Committee

**Minutes No. 23**

Tuesday 3 November 2015

General Purpose Standing Committee No. 6

Sydney Airport, Sydney at 7.30 am

**1. Members present**Mr Green, *Chair*Mr Amato, *Deputy Chair*

Mr Donnelly

Mr Farlow

Dr Kaye

Mr Mookhey

**2. Apologies**

Ms Cusack

**3. Draft minutes**

Resolved, on the motion of Dr Kaye: That draft minutes no. 21 be confirmed.

**4. Correspondence**

The committee noted the following items of correspondence:

***Sent:***

- 27 August 2015 – Letter from chair to Ms Pam Christie, Managing Director, TAFE NSW, regarding protection of TAFE NSW staff participating in the inquiry
- 28 October 2015 – Letter from chair to the Hon Troy Grant MP, Member for Dubbo, advising committee will be visiting electorate on 3 November 2015.

***Received:***

- 26 September 2015 – Letter from Ms Kerrin McCormack to secretariat, providing further information regarding documents tabled at the public hearing on 23 September 2015
- 7 October 2015 – Email from Mr John Coyle, Director, HunterNet Group Training Company to secretariat, advising that the two supplementary questions put to him are not applicable to his circumstances as he does not represent a registered training organisation, and therefore that he is unable to assist the committee in this regard
- 13 October 2015 – Letter from Ms Kerrin McCormack to secretariat, providing clarifications of evidence given at the public hearing on 23 September 2015
- 16 October 2015 – Prepared statement of Ms Terri Quinlan, Part-time Casual IT Teacher and TVET Coordinator, TAFE NSW Hunter Institute, referred to at public hearing on 18 September 2015
- 22 October 2015 – Letter from Mr Hugo Harmstorf, Chief Executive Officer, Independent Pricing and Regulatory Tribunal to secretariat, declining invitation to appear at the public hearing on 9 November 2015 and offering to provide written responses to members' questions.

Resolved, on the motion of Mr Donnelly: That the committee accept and publish the prepared statement of Ms Quinlan.

**5. Inquiry into vocational education and training in New South Wales****5.1 Public submissions**

Resolved, on the motion of Dr Kaye: That the committee publish the following submissions: submission nos. 159a and 274-278.

## 5.2 Partially confidential submission

Resolved, on the motion of Mr Donnelly: That the committee publish submission no. 121a, with the exception of the names of third parties, as per the recommendation of the secretariat.

## 5.3 Answers to questions on notice and supplementary questions

Resolved, on the motion of Mr Donnelly: That the committee publish answers to questions on notice and supplementary questions received from:

- Mr Dave Carey, Part-time Casual teacher, Science and Laboratory, TAFE NSW, North Coast Institute
- Mr Mark Jewell, Disability Consultant, TAFE NSW, North Coast Institute
- Mr Greg Holihan, Head Teacher, Horticulture, TAFE NSW, North Coast Institute
- Mr Graham Armstrong, Head Teacher, Automotive and Vehicle Repair, TAFE NSW, North Coast Institute
- Mr Joseph Anthonysz, Chief Executive Officer, SAE QANTM Creative Media Institute
- The Hon John Barilaro MP, Minister for Skills
- Mr David Collins, Executive Director, Market Quality and Operations, NSW Department of Industry
- Mr Jeff Green, General Manager, All Excavations Training.

Resolved, on the motion of Mr Amato: That the answers to questions on notice from the New South Wales Nurses and Midwives' Association be kept confidential, as per their request.

## 5.4 Site visit – Dubbo TAFE, Myall Street campus

The committee travelled to TAFE NSW Dubbo campus and met with TAFE Western Executive Committee, comprising:

- Ms Kate Baxter, Institute Director, Western Institute
- Ms Sue Care, Director VET Delivery (Service Industries)
- Mr Andrew Crowley, Director VET Delivery (Production Industries)
- Mr Rod Towney, Director Aboriginal Education & Equity Provision
- Mr Adam Bennett, R/Director Customer Innovation
- Mr Brad Polak, Director, Business Capability
- Mr Colin Sharp, R/Director, Customer Service and Facilities
- Ms Amanda Spalding, Director, Corporate Services
- Ms Ellen Clifford, R/Manager Professional Services.

The committee then met with Aboriginal language teachers at the campus's Yarradamarra Centre, followed by a meeting with Mr Peter Gibbs, Indigenous Police Recruiting Our Way Delivery (IPROWD) Coordinator and IPROWD students.

## 5.5 Site visit – Macquarie Anglican Grammar School

The committee visited the Macquarie Anglican Grammar School Dubbo, and met with:

- Mr Craig Mansour, Principal
- Mr Louis Stringer, Deputy Principal
- Dr Laurie Scandrett, Chief Executive Officer, Sydney Anglican Schools Corporation
- Cr Andrew Guile, Corporate Affairs Manager, Sydney Anglican Schools Corporation
- Mrs Gaynor Mackinnon, Principal, Trades Norwest Anglican Senior College.

The committee undertook a tour of the school's Trade Training Centre and food technology teaching facilities, along with teachers Mr Michael McIntosh and Mr Andrew Thorne.

6. \*\*\*

7. **Adjournment**

The committee adjourned at 2.57 pm, until 2.45 pm, Monday 9 November 2015 at Parliament House, Sydney (public hearing).

Sharon Ohnesorge  
**Clerk to the Committee**

**Minutes No. 24**

Monday 9 November 2015

General Purpose Standing Committee No. 6

Parliament House, Macquarie Street, Sydney at 2.30 pm

1. **Members present**

Mr Green, *Chair*

Ms Cusack

Mr Donnelly

Mr Farlow

Dr Kaye

Mr Mookhey

2. **Apologies**

Mr Amato, *Deputy Chair*

3. **Draft minutes**

Resolved, on the motion of Mr Donnelly: That draft minutes no. 22 and 23 be confirmed.

4. **Correspondence**

The committee noted the following item of correspondence:

***Sent:***

- 2 November 2015 – Letter from chair to Mr Hugo Harmstorf, Chief Executive Officer, Independent Pricing and Regulatory Tribunal, setting out the committee's questions regarding the inquiry into vocational education and training in New South Wales and requesting written responses by 16 November 2015.

***Received:***

- 21 October 2015 – Prepared statement of Mr Rob Long, Post Schools Organiser, NSW Teachers Federation, referred to on 12 October 2015 at public hearing
- \*\*\*
- \*\*\*
- \*\*\*

Resolved, on the motion of Dr Kaye: That the committee accept and publish the prepared statement of Mr Long.

5. \*\*\*

6. **Inquiry into vocational education and training in New South Wales**

**6.1 Answers to questions on notice and supplementary questions**

Resolved, on the motion of Mr Donnelly: That the committee publish answers to questions on notice and supplementary questions received from:

- Ms Kathy Nicholson, NSW Teachers Federation
- Mr Daniel Wallace, Newcastle Trades Hall Council
- Ms Nicky Sloan, Illawarra Forum Inc
- Mr Tim Andrews, Counsellor, TAFE NSW
- Ms Leisa Harrison, Essential Skills Training and Recruitment
- Ms Lindy Kemp, Director TAFE Services, North Coast NSW
- Mr Gavin Manning, Komatsu Australia
- Ms Marie Larkings, TAFE NSW Hunter Institute
- Ms Terri Quinlan, TAFE NSW Hunter Institute
- Ms Pat Forward, Australian Education Union
- Ms Melanie Foster, Housing Industry Association Limited
- Ms Pam Christie, Managing Director, TAFE NSW
- Mr Neil Miller, Australian Council for Private Education and Training
- Mr Andrew Guile, Sydney Anglican Schools Corporation
- Mr Steve Turner, Public Service Association of NSW
- Mr Dylan Smith, Public Service Association of NSW.

**6.2 Return of questions on notice and supplementary questions.**

Resolved, on the motion of Mr Mookhey: That, in relation to the public hearing on Monday 9 November 2015:

- supplementary questions are to be lodged with the committee clerk by 9.00 am Wednesday 11 November 2015
- comments on proposed supplementary questions are to be lodged with the committee clerk by 12.00 pm Wednesday 11 November 2015
- witnesses be requested to return answers to questions on notice and supplementary questions by Wednesday 18 November 2015.

**6.3 Public Hearing**

Witnesses, the public and the media were admitted.

The chair made an opening statement regarding the broadcasting of proceedings and other matters.

The following witness was sworn and examined:

- Mr Philip Clark AM, Chair, NSW Skills Board

The evidence concluded and the witnesses withdrew.

The following witnesses were sworn and examined:

- Mr Tony Whitfield, Acting Auditor-General, Audit Office of NSW
- Ms Kathrina Lo, Assistant Auditor-General, Audit Office of NSW
- Ms Giulia Vitetta, Principal Analyst, Audit Office of NSW.

The evidence concluded and the witnesses withdrew.

The public and media withdrew.

The public hearing concluded at 4.58 pm.

**6.4 Deliberative meeting – Correspondence to Minister Barilaro**

Resolved, on the motion of Dr Kaye: That:

- the committee write to Minister Barilaro noting that the answers to questions on notice and supplementary questions provided by Ms Pam Christie, Managing Director, TAFE NSW, relating to TAFE NSW revenues are unsatisfactory, and requesting that the Minister provide responses to questions by 18 November 2015
- the secretariat circulate a draft letter to the committee for comment.

**7. Adjournment**

The committee adjourned at 5.06 pm, until 9.30 am, Thursday 10 December 2015 at Parliament House, Sydney (report deliberative).

Sharon Ohnesorge

**Clerk to the Committee**

**Draft Minutes No. 25**

Thursday 10 December 2015

General Purpose Standing Committee No. 6

Room 1254, Parliament House, Sydney at 9.32 am

**1. Members present**

Mr Green, *Chair*

Mr Amato, *Deputy Chair*

Ms Cusack

Mr Farlow

Dr Kaye

Mr Mookhey

Mr Moselmane (substituting for Mr Donnelly from 12.56 pm)

Mr Wong (substituting for Mr Donnelly until 12.56 pm)

**2. Draft minutes**

Resolved, on the motion of Mr Amato: That draft minutes no. 24 be confirmed.

**3. Correspondence**

The committee noted the following item of correspondence:

***Sent:***

- 10 November 2015 – Letter from chair to the Hon John Barilaro MP, Minister for Skills, noting that the answers to questions on notice and supplementary questions provided by Ms Pam Christie, Managing Director, TAFE NSW, relating to TAFE NSW revenues are unsatisfactory, and requesting that the Minister provide responses to questions by 18 November 2015.

***Received:***

- 22 October 2015 – Letter from Ms Tania Tsiamis, General Manager, IRT College - providing clarification of evidence given and transcribed at Wollongong hearing 12 October 2015
- 3 November 2015 – Letter from Mr David McEvoy to secretariat, concerning amalgamations in the Lane Cove area
- 5 November 2015 – Email from Mr Ian Kerr to chair, concerning local government reform in Western Australia
- 11 November 2015 – Letter from Mr Michael McGrath to secretariat, concerning amalgamations in the Lane Cove area

- 15 November 2015 – Email from Mr James Guider to chair, concerning Fit for the Future
- 16 November 2015 – Letter from Mr Hugo Harmstorf, Chief Executive Officer, Independent Pricing and Regulatory Tribunal to chair, providing responses to the committee’s written questions regarding the inquiry into vocational education and training in New South Wales
- 19 November 2015 – Letter from the Hon John Barilaro MP, Minister for Skills to chair, providing responses to questions arising from Ms Pam Christie’s unsatisfactory answers to questions on notice and supplementary questions.

Resolved, on the motion of Ms Cusack: That the committee:

- publish the letter from Mr Harmstorf dated 16 November 2015
- note that the letter from Minister Barilaro dated 19 November 2015 has been published, as previously agreed by email.

#### **4. Inquiry into vocational education and training in New South Wales**

##### **4.1 Public submissions**

Resolved, on the motion of Ms Cusack: That the committee note that the following submission was published by the committee clerk under the authorisation of the resolution establishing the committee: submission no. 159.

##### **4.2 Answers to questions on notice and supplementary questions**

Resolved, on the motion of Mr Mookhey: That the committee note that the following answers to questions on notice and supplementary questions were published by the committee clerk under the authorisation of the resolution establishing the committee:

- Mr Norm Cahill, Executive Officer, NSW Utilities and Electrotechnology Industry Training Advisory Body (ITAB) answers to supplementary questions on notice, received 7 October 2015
- Dr Geoff Newcombe, Executive Director, Association of Independent Schools of NSW Ltd, answers to questions on notice, received 9 October 2015
- Mr Michael Dyer, Teacher Electrical Trades TAFE NSW Hunter Institute, answers to supplementary questions, received 15 October 2015
- Mr John Macmillan, Senior Sector Development Officer, National Disability Services, received 16 October 2015
- Mr Kevin Heys, Spokesperson, TAFE Community Alliance, answers to questions on notice, received 21 October 2015
- Ms Linda Simon, Spokesperson, TAFE Community Alliance, answers to supplementary questions on notice, received 21 October 2015
- Mr Mark Goodsell, Director NSW, The Australian Industry Group, answers to questions on notice, received 21 October 2015
- Cr Andrew Guile, Corporate Affairs Manager, Sydney Anglican Schools Corporation, answers to questions on notice, received 22 October 2015
- Ms Tania Tsiamis, General Manager, IRT College, answers to questions on notice, received 22 October 2015
- Mr Keith Bourke, Teacher Consultant TAFE NSW Illawarra, answers to question on notice and supplementary questions, received 22 October 2015
- Mr Duncan Passmore, Chief Executive Officer, Passmores College, answers to question on notice, received 28 October 2015
- Ms Lorraine Watson, Teacher Consultant for Students with Physical Disabilities TAFE Illawarra, answers to supplementary questions, received 11 November 2015
- Ms Dianne Murray, Director, TAFE NSW Illawarra Institute, answers to questions on notice and supplementary questions, received 12 November 2015
- Mr Ted Clapham, Head Teacher, Carpentry, Trades and Technology, TAFE Illawarra Nowra, answers to questions on notice and supplementary questions, received 12 November 2015

- Mr Tony Whitfield, Acting Auditor-General, Audit Office of NSW, answers to questions on notice, received 18 November 2015
- Mr Arthur Rorris, Secretary, South Coast Labour Council, answer to supplementary question, received 18 November 2015
- Mr Philip Clark AM, Chair, NSW Skills Board, answers to questions on notice, received 18 November 2015
- Mr Nick Minto, Senior Policy Adviser, Employment, Education and Training, NSW Business Chamber, answers to questions on notice, received 18 November 2015
- Mr Mark Powell, Teacher, TAFE NSW Hunter Institute, answers to supplementary questions, received 19 November 2015
- Mr David Collins, Executive Director, Market Quality and Operations, NSW Department of Industry, answers to supplementary questions nos. 16 and 23, received 19 November 2015
- Ms Narelle Clay AM, Chief Executive Officer, Southern Youth and Family Services, answers to questions on notice, received 19 November 2015
- Ms Liz Henigan, Head Teacher, Community Services, Human Services, Tourism and Hospitality, TAFE NSW Illawarra Institute, answers to supplementary questions, received 23 November 2015
- Ms Maxine Sharkey, Assistant General Secretary Post-school Education, NSW Teachers Federation, answers to questions on notice and supplementary questions, received 25 November 2015.

#### **4.3 Answers to supplementary questions for consideration**

Resolved, on the motion of Dr Kaye: That the answers to supplementary questions from Mr Terry Kofod, Head Teacher, Information Technology, TAFE NSW Illawarra Institute, received 12 November 2015, be published, apart from potential adverse mention concerning a private training provider.

#### **4.4 Consideration of chair's draft report**

The chair submitted his draft report entitled 'Vocational education and training in New South Wales', which, having been previously circulated, was taken as being read.

### **Chapter 1.**

Resolved, on the motion of Dr Kaye: That paragraph 1.7 be omitted: 'Chapter 2 of the report gives an overview of the development and key features of the Smart and Skilled reform, and examines the key shift brought about by that reform: a contestable training market', and the following new paragraph be inserted instead:

'Chapter 2 of the report gives an overview of the development and key features of the contestable training market Smart and Skilled, and examines the key changes to skills training brought about by that reform.'

### **Chapter 2**

Resolved, on the motion of Mr Mookhey: That the following be inserted at the end of paragraph 1 of the introduction:

'In general, skilled workers have higher rates of labour productivity, high rates of workforce participation, and are less likely to suffer from prolonged periods of unemployment. Successive NSW Governments have concluded that these benefits are in the public interest and, historically, have utilised different provision models to ensure universal access to vocational education.'

Dr Kaye moved: That paragraph 2 of the introduction be amended by:

- a) omitting 'On 1 January 2015, significant reform of the vocational education and training sector in New South Wales was introduced through a policy' and inserting instead 'On 1 January 2015, significant reform of the vocational education and training sector in New South Wales was implemented through a mechanism that allocated part of the state's vocational education and training budget through competition,'

- b) omitting 'where TAFE no longer has a monopoly in vocational education and training' and inserting instead 'where TAFE's secure share of the state's vocational education and training market was significantly diminished and increasing shares of the budget were allocated by competition amongst non-TAFE providers and TAFE.'

Question put.

The committee divided.

Ayes: Dr Kaye, Mr Mookhey, Mr Wong.

Noes: Mr Amato, Ms Cusack, Mr Farlow, Mr Green.

Question resolved in the negative.

Resolved, on the motion of Ms Cusack: That paragraph 2 of the introduction be amended by omitting 'The key shift brought about by Smart and Skilled is the move to a contestable market, where TAFE no longer has a monopoly in vocational education and training.', and inserting instead 'The key shift brought about by Smart and Skilled is the move to a more contestable market.'

Resolved, on the motion of Dr Kaye: That the first dot point under paragraph 2.3 be amended by omitting 'the state government agency responsible for managing, funding and regulating vocational education and training in New South Wales' and inserting instead 'the state government agency responsible for establishing and operating mechanisms for state funding of vocational education and training in New South Wales'.

Resolved, on the motion of Dr Kaye: That the second dot point under paragraph 2.3 be amended by omitting 'the national regulator for the vocational education and training sector' and inserting instead 'the national certification body and regulator of vocational education and training providers and qualifications.'

Resolved, on the motion of Dr Kaye: That the fourth dot point under paragraph 2.3 be amended by:

- a) inserting 'publicly-funded independent' before 'industry bodies'
- b) omitting 'and providing industry support, advice and information' and inserting instead 'and facilitating industry engagement, support, advice and information to government.'

Resolved, on the motion of Dr Kaye: That paragraph 2.7 be amended by:

- a) omitting 'The national partnership agreement runs until 2016-17 and provides commonwealth funding to states and territories' and inserting instead 'The national partnership agreement runs until 30 June 2017 and provides commonwealth incentive payments to states and territories'
- b) inserting '*inter alia*' before 'greater competition'
- c) omitting 'The aim is to foster a more accessible, transparent and efficient training sector' and inserting instead 'The stated outcome sought by the national partnership agreement is to foster a more accessible, transparent and efficient training sector'.

Resolved, on the motion of Dr Kaye: That the footnote for paragraph 2.7 be omitted: 'New South Wales Auditor-General's Report, *Performance Audit: Vocational Education and Training Reform*, 29 January 2015, p 12', and the following new footnote be inserted instead:

'Council of Australian Governments, *National Partnership Agreement on Skills Reform*, [http://www.federalfinancialrelations.gov.au/content/npa/skills/skills-reform/national\\_partnership.pdf](http://www.federalfinancialrelations.gov.au/content/npa/skills/skills-reform/national_partnership.pdf).'

Resolved, on the motion of Dr Kaye: That paragraph 2.9 be amended by inserting 'a number of measures, including' after 'in return for the state agreeing to'.

Resolved, on the motion of Dr Kaye: That paragraph 2.13 be amended by inserting 'state government' after 'methodology for allocating'.

Resolved, on the motion of Dr Kaye: That paragraph 2.14 be amended by inserting 'was' after 'In July 2014, TAFE NSW'.

Resolved, on the motion of Dr Kaye: That paragraph 2.17 be amended by omitting 'This was done to ensure vocational education and training policy is aligned with industry needs, job creation and economic growth' and inserting instead 'This was done with the stated aim of aligning vocational education and training policy with industry needs, job creation and economic growth'.

Resolved, on the motion of Dr Kaye: That paragraph 2.18 be amended by omitting 'Smart and Skilled implements the state's obligations' and inserting instead 'Smart and Skilled is an implementation designed to fulfil one of the state's obligations'.

Resolved, on the motion of Dr Kaye: That paragraph 2.23 be amended by omitting ', for example,' after 'Targeted Priorities qualifications include'.

Resolved, on the motion of Dr Kaye: That paragraph 2.24 be amended by inserting 'for funding' after 'TAFE does not have to compete with other providers'.

Resolved, on the motion of Dr Kaye: That paragraph 2.24 be amended by inserting the footnote: 'Answers to supplementary questions, Mr David Collins, Executive Director, Market Quality and Operations, NSW Department of Industry, 22 October 2015, p 2.'

Resolved, on the motion of Dr Kaye: That paragraph 2.25 be amended by omitting 'targeting those qualifications that are likely to lead to jobs' and inserting instead 'targeting those qualifications that are asserted to be more likely to lead to employment outcomes.'

Resolved, on the motion of Dr Kaye: That paragraph 2.28 be amended by inserting 'entitlements or Targeted Priorities' after 'Smart and Skilled'.

Resolved, on the motion of Dr Kaye: That the following new paragraph be inserted after paragraph 2.30:

'VET FEE-HELP loans are currently indexed at the annual inflation rate (CPI). Legislation before the Commonwealth Parliament to raise this indexation rate to the Treasury 10 year bond rate (to a maximum of 6.0 per cent per annum) is currently blocked by the Senate but remains Australian Government policy.'

[FOOTNOTE: Australian Government, *FEE-HELP information for 2014*, Study Assist, <http://studyassist.gov.au/sites/studyassist/HelpfulResources/Documents/2014%20FEE-HELP%20booklet.pdf>.]

Resolved, on the motion of Dr Kaye: That paragraph 2.31 be amended by:

- a) omitting 'the NSW Government sought the assistance of IPART' and inserting instead 'the NSW Government sought the advice of IPART'
- b) inserting 'its estimate of the so-called' after 'IPART's pricing recommendations were based on'
- c) omitting 'subject to certain policy principles set by the government, including that:' and inserting instead 'subject to certain policy principles set by the government, listed below.'
- d) inserting the following new paragraph and quote after 'subject to certain policy principles set by the government, listed below.'

'IPART defines efficient pricing as the level of pricing that would recover efficient costs, which it defines as:

**[E]fficient costs** mean the type and level of costs that would be incurred by an RTO operating in a fully competitive market. We did not conduct our own efficiency review to estimate these costs. We used available information and analysis, including detailed information on the costs incurred by TAFE in recent years (and the drivers of these costs) and data on the prices sought by private RTOs in the 2011/12 Strategic Skills Program (SSP) tender process. We excluded costs that would not be incurred by an RTO

in a competitive environment, such as costs incurred by TAFE that will in future be funded through its operational base funding.’ [FOOTNOTE: Independent Pricing and Regulatory Tribunal, *Final Report: Pricing VET under Smart and Skilled*, October 2013, p 4.]

- e) inserting the following new paragraph immediately after the above quote, and before the dot points in paragraph 2.31:

‘The pricing policy principles set out by government include:’

Dr Kaye moved: That the committee secretariat draft a new section entitled ‘Concerns with the impacts of contestability on equity, quality and sustainability’, to be inserted following paragraph 2.60, in accordance with the following summary and evidence:

‘Key themes that arise in the submissions on contestability:

TAFE provides services which cannot and will not be provided by a series of small, atomised providers – that the funding model will hive off the cheap, easy courses, leaving TAFE to handle high-cost, highly intensive courses as well as providing services such as libraries, disability provisions and student support. TAFE has a significantly higher overhead because of fulfilling requirements beyond simple instruction.

Education does not function as a market, due to its status as an experience good that can only be evaluated after use.

TAFE begins on an uneven footing in competition due to legislative requirements.

The regulatory requirements needed to ensure a level of standards in the industry require the diversion of funds, spending public money on regulation and compliance rather than direct services.

Contestable funding will ultimately destroy “non-educational” equality services. Without legislated requirements for RTOs to provide similar accessibility services to TAFE (which would ultimately be impossible at the scale on which most RTOs operate) a huge amount of students requiring equity services will be locked out of VET.

Concerns about diversion of training budget to marketing and promotion.

Evidence: Submission 8, Mr Jonathan Christley, p 3; Submission 147, New South Wales Teachers Federation, pp 2, 6, 7, 9; Submission 185, TAFE Community Alliance, p 18; Submission 218, Public Service Association of NSW, pp 5, 11, 14, 17, 22; Answers to supplementary questions, Public Service Association of NSW; Answers to supplementary questions, Ms Katherine Nicholson; Answers to supplementary questions, Mr Mark Jewell.’

Question put.

The committee divided.

Ayes: Dr Kaye

Noes: Mr Amato, Ms Cusack, Mr Farlow, Mr Green, Mr Mookhey, Mr Wong.

Question resolved in the negative.

Resolved, on the motion of Dr Kaye: That paragraph 2.61 be amended by omitting ‘Smart and Skilled incorporates the idea of contestability in a limited way’ and inserting instead ‘Smart and Skilled incorporates the idea of contestability in a constrained way’.

Resolved, on the motion of Dr Kaye: That the following new dot point be inserted after the second dot point in paragraph 2.61:

- the total public subsidy a provider can receive (the ‘cap’).

Resolved, on the motion of Dr Kaye: That paragraph 2.63 be amended by omitting ‘This means that TAFE does not have to compete with other providers to deliver Certificate IV’ and inserting instead ‘This means that TAFE does not have to compete with other providers for public funding to deliver subsidised Certificate IV’.

Resolved, on the motion of Dr Kaye: That paragraph 2.64 be amended by omitting ‘According to the government’ and inserting instead ‘According to State Training Services’.

Resolved, on the motion of Dr Kaye: That paragraph 2.64 be amended by omitting ‘reflects a gradual approach drawing on lessons learnt in other states’ and inserting instead ‘reflects a gradual approach drawing on lessons learnt from the experiences of other states’.

Dr Kaye moved: That paragraph 2.71 be amended by:

- a) inserting ‘NSW Government’s choice to interpret the’ before ‘the state’s obligations’
- b) inserting ‘as requiring TAFE to be exposed to competition with private providers’ after ‘under the National Partnership Agreement on Skills Reform’.

Question put.

The committee divided.

Ayes: Dr Kaye, Mr Mookhey, Mr Wong.

Noes: Mr Amato, Ms Cusack, Mr Farlow, Mr Green.

Question resolved in the negative.

Dr Kaye moved: That paragraph 2.73 be omitted: ‘The second important point to recognise is that, because the introduction of a contestable market is bound up in a bigger COAG funding agreement between the Australian Government and the government of the other states and territories, it is not feasible – even if it were desirable – to go back to a situation where TAFE NSW has a monopoly on government-funded vocational education and training.’, and the following new paragraph be inserted instead:

‘The second important point to recognise is that, because the introduction of entitlements is only a small part of a bigger COAG funding agreement between the Australian Government and the governments of the other states and territories and in any event the agreement does not specify that all training must be delivered through entitlements, it is entirely feasible to impose predetermined limits on the amount of government funding of vocational education and training that is allocated contestably.’

Question put.

The committee divided.

Ayes: Dr Kaye, Mr Mookhey, Mr Wong.

Noes: Mr Amato, Ms Cusack, Mr Farlow, Mr Green.

Question resolved in the negative.

Dr Kaye moved: That paragraph 2.74 be omitted: ‘On the whole, the committee is persuaded that a contestable training market will benefit all sectors of the vocational education and training sector over time, driving up quality and efficiency, and ultimately benefiting students, industry and the economy. The committee does not believe that the skills needs of this state would be best served by having only TAFE delivering government-funded vocational training.’, and the following new paragraph be inserted instead:

‘The committee is entirely persuaded by the evidence presented to it that a contestable training market that is allowed access a growing share of the budget will damage all sectors of the vocational education and training sector, driving down quality and destroying efficiency, ultimately at the expense of students, industry and the economy. The committee does not believe that the skills needs of this state would be best served by the inevitable marginalisation of TAFE that would

follow from allocating government funding for vocational training through a competitive market. We are particularly concerned about the impacts this situation is, and will increasingly, have on the quality and integrity of the sector, the delivery of educational outcomes that go beyond narrowly defined training packages, the loss of opportunity for disadvantaged and special needs students, the undermining of focus on community-wide outcomes such as outreach, and the destruction of the credibility of qualifications.

Question put.

The committee divided.

Ayes: Dr Kaye, Mr Mookhey, Mr Wong.

Noes: Mr Amato, Ms Cusack, Mr Farlow, Mr Green.

Question resolved in the negative.

Mr Mookhey moved: That paragraph 2.74 be omitted: ‘On the whole, the committee is persuaded that a contestable training market will benefit all sectors of the vocational education and training sector over time, driving up quality and efficiency, and ultimately benefiting students, industry and the economy. The committee does not believe that the skills needs of this state would be best served by having only TAFE delivering government-funded vocational training.’, and the following new paragraph be inserted instead:

‘On the whole the committee is persuaded that the Smart and Skilled reforms do not reflect best practice market design for maximising educational quality through a contestable training market. Broad revisions are needed to the pricing methodology, tender rules, and supervisory framework if the full benefits of a contestable market are to be realised.’

Question put.

The committee divided.

Ayes: Dr Kaye, Mr Mookhey, Mr Wong.

Noes: Mr Amato, Ms Cusack, Mr Farlow, Mr Green.

Question resolved in the negative.

Dr Kaye moved: That paragraph 2.75 be omitted: ‘Nevertheless, it is understandable that many stakeholders are concerned about TAFE’s position in a contestable training market, and its ability to compete on a level playing field with private providers. TAFE has a long history of responding to change, and this is clearly a time of big adjustments to TAFE’s operating environment. Some of these adjustments are explored further in chapter 6.’, and the following new paragraph be inserted instead:

‘The committee shares the concerns of many stakeholders about TAFE’s position in a contestable training market, and the consequences of competitive pressures on its ability to continue to deliver substantial and in some cases unquantifiable benefits to its students and to the entire society. TAFE has a long history of responding to change, and has done so to the benefit of its students and the entire society. However, unrestrained competition or contestability that takes up a significant share of the total budget will inevitably destroy TAFE or require big adjustments to TAFE’s core values that would deny the state of the benefits of public sector vocational education and training. Some of these adjustments that have been required of TAFE by the competitive pressures of contestability and their negative consequences are explored further in chapter 6.’

Question put.

The committee divided.

Ayes: Dr Kaye, Mr Mookhey, Mr Wong.

Noes: Mr Amato, Ms Cusack, Mr Farlow, Mr Green.

Question resolved in the negative.

Mr Mookhey moved: That paragraph 2.75 be omitted: ‘Nevertheless, it is understandable that many stakeholders are concerned about TAFE’s position in a contestable training market, and its ability to compete on a level playing field with private providers. TAFE has a long history of responding to change, and this is clearly a time of big adjustments to TAFE’s operating environment. Some of these adjustments are explored further in chapter 6.’

Question put.

The committee divided.

Ayes: Dr Kaye, Mr Mookhey, Mr Wong.

Noes: Mr Amato, Ms Cusack, Mr Farlow, Mr Green.

Question resolved in the negative.

Dr Kaye moved: That the following new paragraphs be inserted after paragraph 2.75:

‘The Committee is also concerned that contestable markets place adverse competitive pressure on non-TAFE providers to deliver to the minimum standard of qualification. For-profit providers will inevitably trade-off quality and equality for increased profits by reducing teaching effort and thus costs. Experience with many for-profit private providers to date strongly suggests that contestable markets for VET create perverse incentives to rort the system.

As a number of witnesses observed, education is a perceived rather than experienced good, in that, as a once only, rather than repeated, decision, choice of providers is usually made on the perception of their relevant qualities rather than any direct experience. As such, market competition theory is unlikely to be applicable in any meaningful way.

Many important aspects of education, unlike skills and competencies, are unmeasurable and impossible to quantify. Despite the significant benefits they deliver to the student and the community, they cannot be codified and hence will inevitably become marginalised in a competitive environment.’

Mr Mookhey moved: That the motion of Dr Kaye be amended by:

- a) omitting ‘For-profit providers will inevitably trade-off quality and equity’ and inserting instead ‘For-profit providers are likely to trade-off quality and equity’
- b) omitting ‘As such, market competition theory is unlikely to be applicable in any meaningful way’ and inserting instead ‘As such, market competition theory would require substantial adjustments to be applicable in any meaningful way’.

Amendment of Mr Mookhey put and passed.

Original question of Dr Kaye, as amended, put.

The committee divided.

Ayes: Dr Kaye, Mr Mookhey, Mr Wong.

Noes: Mr Amato, Ms Cusack, Mr Farlow, Mr Green.

Question resolved in the negative.

Dr Kaye moved: That paragraph 2.76 be omitted: ‘The committee also considers that viewing the contestability debate through a ‘TAFE versus private providers’ lens is unhelpful and misleading. Just like the school system, public, private and community providers all have an important role to play, and together they make the system stronger.’, and the following new paragraph be inserted instead:

‘The committee recognises that contestability ‘has placed TAFE into competition with non-TAFE providers that seek to take students and funds from them’. Therefore, just as in the school funding debate, those who seek to disparage the arguments of the supporters of TAFE as an unhelpful and

misleading ‘TAFE versus private providers’ position, are themselves being entirely misleading and in most cases self-serving.’

Mr Mookhey moved: That the motion of Dr Kaye be amended by omitting ‘and in most cases self-serving.’

Amendment of Mr Mookhey put and passed.

Original question of Dr Kaye, as amended, put.

The committee divided.

Ayes: Dr Kaye, Mr Mookhey, Mr Wong.

Noes: Mr Amato, Ms Cusack, Mr Farlow, Mr Green.

Question resolved in the negative.

Mr Mookhey moved: That paragraph 2.77 be omitted: ‘The committee is not of the view that the government should place a ceiling on the overall level of funding that is contestable. The committee agrees that the level of contestability should be determined gradually over time, as TAFE becomes a seasoned competitor in the market.’, and the following new paragraph be inserted instead:

‘Until revisions recommended by the committee have been implemented, the committee believes it is appropriate for a 30% cap on the level of contestable funding provided to the vocational sector by the New South Wales Government.’

Question put.

The committee divided.

Ayes: Dr Kaye, Mr Mookhey, Mr Wong.

Noes: Mr Amato, Ms Cusack, Mr Farlow, Mr Green.

Question resolved in the negative.

Dr Kaye moved: That:

- a) paragraph 2.77 be omitted: ‘The committee is not of the view that the government should place a ceiling on the overall level of funding that is contestable. The committee agrees that the level of contestability should be determined gradually over time, as TAFE becomes a seasoned competitor in the market.’, and the following new paragraph be inserted instead:

‘The committee is strongly of the view that a legislated ceiling should be imposed on the overall level of funding that is contestable. The committee is persuaded that contestability should be limited to a level where:

- TAFE managers have sufficient security in their future budgets to restore all teaching and support positions and functions that have been lost since 2011 and to be able to continue to provide innovative and responsive post-school education, and
- Fees can be cut to their pre-2011 levels.’

- b) paragraph 2.78 be omitted: ‘However, when considering whether to increase the level of contestability, for example, by making more qualifications contestable, or by opening up number of providers who are eligible for government subsidies, the committee urges the NSW Government to exercise caution and restraint to avoid the mistakes of other jurisdictions.’, and the following new paragraph be inserted after paragraph 2.77:

‘The committee accepts that there are a number of ways of setting the maximum level of contestability. The NSW Teachers Federation recommended that no more than 30 percent of the total vocational education and training budget should be allocated contestably with the remainder reserved for TAFE. The Greens NSW argued for the

lower figure and more constrained arrangement of no more than 15 percent for each course code.’

- c) the following new recommendation be inserted after the previous new paragraph:

**‘Recommendation X**

That a legislated limit should be placed on the fraction of the vocational education and training budget that is allocated contestably, with the remainder reserved for TAFE, That fraction should be determined in consultation with the NSW Teachers Federation and TAFE management and should be no more than 30 percent.’

Question put.

The committee divided.

Ayes: Dr Kaye, Mr Mookhey, Mr Wong.

Noes: Mr Amato, Ms Cusack, Mr Farlow, Mr Green.

Question resolved in the negative.

### Chapter 3

Dr Kaye moved: That:

- a) the quote in paragraph 3.6 be amended by omitting ‘If you look at what we have done since I became the Minister in March-April of this year, I have had the opportunity to have a look at the data that is coming in, engaging with private providers, engaging with TAFE, engaging with industry and also taking into account some of the trends nationally in the decline in a number of enrolments in a number of areas.’
- b) That paragraph 3.9 be omitted: ‘In explaining the rationale for removing the pre-qualification barrier, Minister Barilaro told the committee:

We recognise that for about 35,000 students in this State, by not being able to access subsidised training because of a previous or prior qualification which excluded them, it did impact on enrolments when you looked at previously a portion of enrolments, each and every one of those that are reskilling, and when you take into account some sectors of the economy that are in decline. There is an obligation to make sure that we are subsidising the training in an area of reskilling.’

Question put.

The committee divided.

Ayes: Dr Kaye, Mr Mookhey, Mr Wong.

Noes: Mr Amato, Ms Cusack, Mr Farlow, Mr Green.

Question resolved in the negative.

Resolved, on the motion of Mr Mookhey: That paragraph 3.14 be amended by inserting the following words after the words ‘required quality standard to a standard student.’: ‘It is not clear which ‘required quality standard’ IPART is referring to.’

Mr Mookhey moved: That the following sentence be inserted in paragraph 3.14 after the sentence ‘It is not clear which ‘required quality standard’ IPART is referring to.’: ‘Furthermore, the committee did not hear evidence about whether the ‘efficient price mechanism’ is suitable for estimating the cost of delivering non-procedural services like vocational education.’

Question put.

The committee divided.

Ayes: Mr Green, Dr Kaye, Mr Mookhey, Mr Wong.

Noes: Mr Amato, Ms Cusack, Mr Farlow.

Question resolved in the affirmative.

Resolved, on the motion of Dr Kaye: That paragraph 3.15 be amended by inserting the words '(\$/nominal hour)' after the words 'set of variable', and by inserting the words '(\$/enrolment)' after the words 'fixed'.

Dr Kaye moved: That:

- a) paragraph 3.20 be omitted: 'On the other hand, the committee also heard that some qualifications, for example the heavy vehicle, agricultural and mobile equipment stream, had been priced 'extremely' well. This comment suggests that the price may in some cases have been set unnecessarily high.'
- b) the following paragraph inserted instead: 'On the other hand, the committee also heard from a number of non-TAFE providers that some qualifications, for example the heavy vehicle, agricultural and mobile equipment stream, had been priced 'extremely' well. No such opinion was heard from a participant in public sector vocational education and training. This comment suggests that the price may in some cases have been set unnecessarily high for the standards of education and student support applied by private providers. On the other hand, it is clear that all prices are too low for the high quality public system.'

Question put.

The committee divided.

Ayes: Dr Kaye, Mr Mookhey, Mr Wong.

Noes: Mr Amato, Ms Cusack, Mr Farlow, Mr Green.

Question resolved in the negative.

Resolved, on the motion of Mr Mookhey: That the following new paragraph be inserted after paragraph 3.21: 'Evidence was not presented to the committee which explains why IPART relied on prices applicable in 2011-12 to recommend prices for 2014-15.'

Mr Farlow moved: That paragraph 3.25 be omitted: 'Despite the government's contention that qualifications under Smart and Skilled are 'heavily subsidised', students on average contribute between 25 to 45 per cent of the cost of a qualification, as illustrated in the following table.', and that the following new paragraph be inserted instead:

'The government's contention is that qualifications under Smart and Skilled are 'heavily subsidised'. Students contribute between 10 and 45 per cent of the cost of a qualification, as illustrated in the following table.'

Question put.

The committee divided.

Ayes: Mr Amato, Ms Cusack, Mr Farlow, Mr Green.

Noes: Dr Kaye, Mr Mookhey, Mr Wong.

Question resolved in the affirmative.

Resolved, on the motion of Dr Kaye: That the heading of Table 2 under paragraph 3.25 be amended by inserting the words 'as a fraction of the qualification price' at the end of the words 'Average fee contribution for a standard student'.

Resolved, on the motion of Mr Mookhey: That the following new paragraph be inserted after paragraph 3.29: 'The committee heard no evidence from any NSW Government agency on whether the price elasticity of demand of different qualification prices was ever modelled.'

Mr Farlow moved: That paragraph 3.39 be amended by omitting the word 'powerful' after the words 'the committee heard'.

Question put and negatived.

Resolved, on the motion of Mr Farlow: That the following new paragraph be inserted after paragraph 3.45: ‘The committee notes the evidence from Mr Jewell that more students are declaring a disability where they otherwise wouldn’t have in order to claim a fee exemption:

I think, with the fee increases, and the changes in the way exemptions are given, that students formerly who may have enrolled and had an exemption for some other reason if they are no longer eligible will actually come and disclose their disability. So I think a lot of disability consultants are finding the reason the demand is going up is that a person has some record of having a disability – such as a back injury – which previously they may not have disclosed but now, because of the increase in fees, they disclose so they can get an exemption. [FOOTNOTE: Evidence, Mr Mark Jewell, Disability Consultant, TAFE NSW North Coast Institute, p 11.]’

Resolved, on the motion of Dr Kaye: That paragraph 3.63 be amended by omitting ‘the applicable financial cap and regions in which they can deliver the qualifications’ and inserting instead: ‘the applicable financial cap, the qualifications for which they can collect subsidies (entitlements) and the regions in which they can deliver these qualifications’.

Dr Kaye moved: That paragraph 3.80 be amended by inserting the following words at the end of the paragraph: ‘However, no specific examples were provided.’

Question put.

The committee divided.

Ayes: Dr Kaye, Mr Mookhey, Mr Wong.

Noes: Mr Amato, Ms Cusack, Mr Farlow, Mr Green.

Question resolved in the negative.

Dr Kaye moved: That paragraph 3.101 be omitted: ‘It is not surprising that the first year of implementing as significant and complex a reform as Smart and Skilled has seen some problems.’, and the following new paragraph be inserted instead:

‘The problems experienced in the first year of implementing Smart and Skilled are beyond those that could be dismissed as teething problems. While some design features were mean-spirited and unnecessary and others could and have been papered over, many of the most damaging aspects of Smart and Skilled are as a result of contestability itself, and not just poor or inept market design.’

Question put.

The committee divided.

Ayes: Dr Kaye.

Noes: Mr Amato, Ms Cusack, Mr Farlow, Mr Green, Mr Mookhey, Mr Wong.

Question resolved in the negative.

Mr Mookhey moved: That paragraph 3.103 be amended by omitting the following words: ‘The committee is heartened by Minister Barilaro’s openness and flexibility in responding to stakeholder concerns, finally addressing this particular issue in September 2015.’

Question put.

The committee divided.

Ayes: Dr Kaye, Mr Mookhey, Mr Wong.

Noes: Mr Amato, Ms Cusack, Mr Farlow, Mr Green.

Question resolved in the negative.

Dr Kaye moved: That paragraph 3.103 be amended by omitting ‘The committee is heartened by Minister Barilaro’s openness and flexibility in responding to stakeholder concerns, finally addressing this particular issue in September 2015.’, and inserting instead:

‘The committee notes that the Baird government has responded to widespread stakeholder concerns and adverse media, finally addressing this particular issue in September 2015.’

Question put.

The committee divided.

Ayes: Dr Kaye, Mr Mookhey, Mr Wong.

Noes: Mr Amato, Ms Cusack, Mr Farlow, Mr Green.

Question resolved in the negative.

Resolved, on the motion of Dr Kaye: That paragraph 3.103 be amended by omitting the words ‘at all’ after the words ‘This rule should never have been introduced’.

Dr Kaye moved: That paragraph 3.105 be amended:

- a) by inserting the words ‘for TAFE’ after ‘costs of delivering the course’
- b) by inserting the words ‘and too high for some non-TAFE providers of other qualifications. The difference in quality and in addressing educational goals between the TAFE and non-government sectors make setting a single meaningful price impossible.’ after the words ‘arboriculture qualifications’

Question put.

The committee divided.

Ayes: Mr Green, Dr Kaye, Mr Mookhey, Mr Wong.

Noes: Mr Amato, Ms Cusack, Mr Farlow.

Question resolved in the affirmative.

Dr Kaye moved: That paragraph 3.106 be omitted, and that the following paragraph be inserted instead:

‘The committee does not accept that IPART’s methodology appears to be rigorous and defensible, and may well have resulted in inappropriate prices, at least in respect of TAFE, for the majority of qualifications on the Skills List. The concept of efficient costs, used by IPART, is inherently biased against TAFE and towards private providers whose lack of concern for educational or social outcomes and rejection of more expensive to educate students leads to lower costs. The committee believes that the underlying assumption of setting costs to reflect the outcomes in a hypothetical competitive market is flawed. It will inevitably result in declining standards. TAFE will not be able to afford to maintain quality and equity and private providers will take profits at the expense of students. The committee believes it is important that the review takes into account the evidence of providers on the ground in those specific cases where the methodology appears not to have worked as well. The committee urges the NSW Skills Board to specifically address this evidence in its review.’

Question put.

The committee divided.

Ayes: Dr Kaye.

Noes: Mr Amato, Ms Cusack, Mr Farlow, Mr Green, Mr Mookhey, Mr Wong.

Question resolved in the negative.

Resolved, on the motion of Mr Mookhey: That:

- a) paragraph 3.106 be omitted: ‘The committee accepts that IPART’s methodology appears to be rigorous and defensible, and may well have resulted in appropriate prices for the majority of the qualifications on the Skills List. However, the committee believes it is important that the review takes into account the evidence of providers on the ground in those specific cases where the methodology appears not to have worked as well. The committee urges the NSW Skills Board to specifically address this evidence in its review.’
- b) the following paragraph inserted instead: ‘The committee shares the concerns of several stakeholders who believe that IPART’s methodology results in pricing structures are not reflective of the cost of a qualification’s delivery. The committee further believes that IPART’s market testing procedures were found wanting and in need of revision so they reflect current market conditions.’
- c) the following new recommendation be inserted after paragraph 3.106:

**‘Recommendation X**

That the NSW Government require IPART to revise its market price testing procedures to reflect current market conditions in the vocational educational and training sector.’

Dr Kaye moved: That the following new paragraph be inserted after paragraph 3.106:

‘The committee notes that the problems of the IPART pricing methodology arise in large measure because of the impossibility of having a contestable allocation of funds for education that also delivers the equity and quality that the government claimed it was preserving.’

Question put.

The committee divided.

Ayes: Dr Kaye.

Noes: Mr Amato, Ms Cusack, Mr Farlow, Mr Green, Mr Mookhey, Mr Wong.

Question resolved in the negative.

Mr Farlow moved: That paragraph 3.107 be amended by omitting the words ‘was also alarmed to hear’ and inserting the words ‘also heard’ instead.

Question put.

The committee divided.

Ayes: Mr Amato, Ms Cusack, Mr Farlow, Mr Green.

Noes: Dr Kaye, Mr Mookhey, Mr Wong.

Question resolved in the affirmative.

Dr Kaye moved: That paragraph 3.107 be amended by inserting the words ‘even though this only amounts to \$240 per qualified student.’ after the words ‘July 2015’.

Question put.

The committee divided.

Ayes: Dr Kaye, Mr Mookhey, Mr Wong.

Noes: Mr Amato, Ms Cusack, Mr Farlow, Mr Green.

Question resolved in the negative.

Dr Kaye moved: That the following new recommendation be inserted after Recommendation 1:

‘That the NSW government establish separate pricing regimes for TAFE and for non-TAFE providers, that recognise the additional costs of the quality and universality of TAFE delivery.’

These regimes should have substantially lower fees and higher subsidies for places in TAFE than for non-TAFE providers.’

Question put.

The committee divided.

Ayes: Dr Kaye, Mr Mookhey, Mr Wong.

Noes: Mr Amato, Ms Cusack, Mr Farlow, Mr Green.

Question resolved in the negative.

Resolved, on the motion of Mr Mookhey: That the following new recommendation be inserted after Recommendation 1:

**‘Recommendation X**

That prior to endorsing any fee structure, the NSW Skills Board model the price elasticity of demand of different qualification prices.’

Mr Mookhey moved: That the following new recommendation be inserted after the new recommendation:

**‘Recommendation X**

That the NSW Skills Board not recommend any qualification price that has a mass impact on student participation in vocational education.’

Question put.

The committee divided.

Ayes: Dr Kaye, Mr Mookhey, Mr Wong.

Noes: Mr Amato, Ms Cusack, Mr Farlow, Mr Green.

Question resolved in the negative.

Mr Mookhey moved: That the following new recommendation be inserted after the new recommendation:

**‘Recommendation X**

That eligibility criteria for ‘Re-skilling’ NSW scholarships be revised to remove the age criteria and the requirement to prove receipt of a Commonwealth welfare payment, or dependency on a Commonwealth welfare recipient.’

Question put.

The committee divided.

Ayes: Dr Kaye, Mr Mookhey, Mr Wong.

Noes: Mr Amato, Ms Cusack, Mr Farlow, Mr Green.

Question resolved in the negative.

Resolved, on the motion of Mr Mookhey: That the following new recommendation be inserted after the new recommendation:

**‘Recommendation X**

That the NSW Skills Board research whether an ‘efficient price mechanism’ is suitable for estimating the cost of a non-commodified service like vocational education, or whether alternative pricing mechanisms would produce more equitable and efficient outcomes.’

Mr Farlow moved: That paragraph 3.109 be amended by omitting the word 'extremely' before the word 'concerned'.

Question put.

The committee divided.

Ayes: Mr Amato, Ms Cusack, Mr Farlow, Mr Green.

Noes: Dr Kaye, Mr Mookhey, Mr Wong.

Question resolved in the affirmative.

Resolved, on the motion of Mr Farlow: That paragraph 3.110 be amended by omitting the words 'Students with a disability deserve better.' and inserting instead: 'As a key service provider for students with a disability, funding for students with a disability at TAFE needs to be better tailored to match transparently individual student needs.'

Dr Kaye moved: That paragraph 3.110 be omitted, and the following paragraph be inserted instead:

'First and foremost, the committee has heard persuasive evidence from a range of stakeholders that the 15 per cent disability loading is inadequate to cover the true costs of supporting students with a disability, even taking into account that these costs are supplemented with community service obligation funding. While Community Service Obligation funding in part covers the shortfall for students with disability enrolled in TAFE or some ACE providers, the NSW Government has failed to provide a consistent and transparent framework for the use of this funding stream to support students with a disability. In part, the CSO stream is being used politically to hide many of the shortfalls of Smart and Skilled so the provision of such a framework would reduce the political utility of the money. Students with a disability deserve better.'

Question put.

The committee divided.

Ayes: Dr Kaye, Mr Mookhey, Mr Wong.

Noes: Mr Amato, Ms Cusack, Mr Farlow, Mr Green.

Question resolved in the negative.

Dr Kaye moved: That paragraph 3.111 be omitted, and that the following paragraph be inserted instead:

'The committee does not accept that a disability loading is the best available mechanism to pay for the higher costs of delivering training to students with a disability. It is an artifice of a market in which non-government providers could not be trusted with block funding to support people with disability. The Committee has reached the view that TAFE should be provided with a substantially enlarged CSO to fund disability support and adjustment for students not funded contestably and to part cover those who are. Further, the committee has come to the view that imposing an average or 'one size fits all' loading, even if it were higher than 15 per cent, fails to provide the responsiveness required in supporting students with varying disabilities and adjustment needs.'

Question put.

The committee divided.

Ayes: Dr Kaye.

Noes: Mr Amato, Ms Cusack, Mr Farlow, Mr Green, Mr Mookhey, Mr Wong.

Question resolved in the negative.

Resolved, on the motion of Mr Mookhey: That paragraph 3.111 be amended by inserting the words 'in a contestable training market,' before the words 'regardless of the training provider chosen'.

Resolved, on the motion of Mr Farlow: That paragraph 3.112 be amended by omitting the words 'based on a sliding scale of support needs' and inserting instead 'based on the principle of individual needs, which may include a sliding scale'.

Dr Kaye moved: That paragraph 3.112 be amended by inserting the following sentence after the words 'based on students' individual needs.': 'This is an inevitable consequence of contestability, where public funding is delivered to non-government providers and TAFE through the same sector-blind mechanism.'

Question put.

The committee divided.

Ayes: Dr Kaye.

Noes:, Mr Amato, Ms Cusack, Mr Farlow, Mr Green, Mr Mookhey, Mr Wong.

Question resolved in the negative.

Resolved, on the motion of Mr Farlow: That paragraph 3.113 be amended by:

- a) omitting the word 'strongly'
- b) inserting the word 'only' after the words 'reason why disability questions are'.

Resolved, on the motion of Mr Farlow: That:

- a) Recommendation 2 be omitted:

'That the NSW Government make vocational education and training under Smart and Skilled more accessible to students with a disability by:

- abolishing the current 'one size fits all' 15 per cent disability loading
- developing and implementing a new disability loading system based on a sliding scale of support needs to reflect the individual special needs of each student, in consultation with the disability sector
- removing the requirement to declare disability on enrolment in order to access the disability fee exemption and loading, allowing students with a disability to access these supports at any stage throughout their studies
- providing more information around why disability questions are asked at the enrolment stage.'

- b) the following new recommendation be inserted instead:

**'Recommendation X**

That the NSW Government make vocational education and training under Smart and Skilled more accessible to students with a disability by:

- abolishing the current 'one size fits all' 15 per cent disability loading
- developing and implementing a new disability loading system based on the principle of individual needs, which may include a sliding scale, in consultation with the disability sector
- removing the requirement to declare disability on enrolment in order to access the disability fee exemption and loading, allowing students with a disability to access these supports at any stage throughout their studies
- providing more information around why disability questions are asked only at the enrolment stage.'

Dr Kaye moved: That Recommendation 2 be amended by inserting the following dot point as the first dot point:

- securely funding TAFE to provide a high level of specialised disability support and adjustment'

Question put.

The committee divided.

Ayes: Dr Kaye, Mr Mookhey, Mr Wong.

Noes: Mr Amato, Ms Cusack, Mr Farlow, Mr Green.

Question resolved in the negative.

Resolved, on the motion of Mr Mookhey: That Recommendation 3 be amended by:

- omitting: '• investigating alternatives to the three-instalment payment model that better meet the needs of training providers and recognise the investment they make in their business'
- inserting instead: '• amending its current policy so that private providers are paid upon completion of a unit rather than in stages, similar to the policy in use in Victoria, Queensland and Western Australia'.

#### Chapter 4.

Resolved, on the motion of Dr Kaye: That paragraph 4.17 be amended by:

- omitting the words 'electricity supply sector' and inserting instead 'Electricity Supply Transmission Distribution and Rail sector'
- inserting quotation marks around the words 'a number of TAFE colleges with limited experience and facilities'.

Dr Kaye moved: That:

- paragraph 4.36 be amended by inserting the following after the words 'qualitative information.':

'However, the Committee recognises the importance of a repeatable and rigorous assessment process when handing over hundreds of millions of dollars to the private sector. In this context it would be difficult to incorporate qualitative information into the assessment in a competitive environment. The Committee sees this as further evidence of the disadvantages and costs of a competitive environment.'
- Recommendation 4 be amended by omitting the following dot point: 'enabling applicants to provide more qualitative information'.

Question put.

The committee divided.

Ayes: Dr Kaye.

Noes: Mr Amato, Ms Cusack, Mr Farlow, Mr Green, Mr Mookhey, Mr Wong.

Question resolved in the negative.

Resolved, on the motion of Mr Farlow: That Recommendation 4 be amended by omitting from the end of the third dot point: 'including the criteria against which they are measured and the formula or algorithm used to score providers'.

Dr Kaye moved: That the Recommendation 4 be amended by omitting from the start of the second dot point: 'industry standing and' after 'including'.

Question put.

The committee divided.

Ayes: Dr Kaye.

Noes: Mr Amato, Ms Cusack, Mr Farlow, Mr Green, Mr Mookhey, Mr Wong.

Question resolved in the negative.

Mr Mookhey moved: That the following new recommendation be inserted after paragraph 4.39:

**‘Recommendation X**

That the NSW Government add a fourth assessment area to the NSW Quality Framework titled ‘industry standing and reputation’ and re-weight assessment methodology accordingly.’

Question put.

The committee divided.

Ayes: Mr Mookhey, Mr Wong.

Noes: Mr Amato, Ms Cusack, Mr Farlow, Mr Green, Dr Kaye.

Question resolved in the negative.

Mr Mookhey moved: That the following new recommendation be inserted after paragraph 4.39:

**‘Recommendation X**

That STS implement a ‘two-pass’ approval process, whereby:

1. After STS completes its internal assessment of tenderers it publishes its preferred list of contract recipients by qualification and region for public comment.
2. Provide 30-60 days for industry feedback, received on a confidential basis, as an additional market testing procedure.
3. Retain an independent probity advisor to assist in industry feedback assessment.
4. Undertake a repeat assessment to account for any additional information received.’

Question put.

The committee divided.

Ayes: Mr Mookhey, Mr Wong.

Noes: Mr Amato, Ms Cusack, Mr Farlow, Mr Green, Dr Kaye.

Question resolved in the negative.

**Chapter 5.**

Mr Farlow moved: That paragraph 5.21 be omitted.

Question put.

The committee divided.

Ayes: Mr Amato, Ms Cusack, Mr Farlow.

Noes: Mr Green, Dr Kaye, Mr Mookhey, Mr Wong.

Question resolved in the negative.

Mr Farlow moved: That paragraph 5.27 be amended by omitting: ‘The committee received compelling evidence that the contestable training market under Smart and Skilled is not working for regional, rural and remote communities.’

Question put.

The committee divided.

Ayes: Mr Amato, Ms Cusack, Mr Farlow.

Noes: Mr Green, Dr Kaye, Mr Mookhey, Mr Wong.

Question resolved in the negative.

Dr Kaye moved: That:

- a) The following new paragraph be inserted after paragraph 5.29:

‘The same observations can be made of almost all thin markets. While it is more obvious where the lack of depth is caused by geographical factors, thin markets also exist for certain types of students such as those who are disadvantaged, have a disability or learning difficulty or require additional learning support or a longer learning pathway. Prior to Smart and Skilled, TAFE effectively cross-subsidised into these markets, including rural and remote, from the cheaper to provide markets and submarkets. Smart and Skilled has made this impossible.’
- b) paragraph 5.30 be amended by inserting ‘and for other thin markets as described above’ after ‘for regional, rural and remote areas’.
- c) Recommendation 5 be amended by omitting the chapeau to the recommendation and inserting instead: ‘That in the event that the NSW Government does not limit the extent of contestability for all courses, it modify the Smart and Skilled funding arrangements to limit contestability for regional, rural and remote areas and other thin markets by:’
- d) the title of Chapter 5 be amended by inserting ‘and other thin markets’ after ‘Vocational education and training in regional, rural and remote areas’.

Question put.

The committee divided.

Ayes: Dr Kaye, Mr Mookhey, Mr Wong.

Noes: Mr Amato, Ms Cusack, Mr Farlow, Mr Green.

Question resolved in the negative.

### **Chapter 6.**

Resolved, on the motion of Dr Kaye: That paragraph 6.1 be amended by omitting the words ‘One of the key policy objectives’ and inserting instead ‘One of the stated key policy objectives’.

Dr Kaye moved: That paragraph 6.1 be amended by inserting the following words at the end of the paragraph:

‘In reality the impact has been the loss of teaching and support staff, courses, student contact hours in courses, outreach, counselling services, specialised disability support, libraries and other critical functions. Twenty seven campuses are scheduled for sale or partial sale.’

Question put.

The committee divided.

Ayes: Dr Kaye, Mr Mookhey, Mr Wong.

Noes: Mr Amato, Ms Cusack, Mr Farlow, Mr Green.

Question resolved in the negative.

Resolved, on the motion of Dr Kaye: That paragraph 6.4 be amended by:

- a) omitting the words: ‘Since the introduction of Smart and Skilled, TAFE has moved from a situation where it receives all of its funding directly from the NSW Government, to a situation where TAFE has to compete for some of its funding with private providers.’

- b) inserting instead: 'Since the introduction of Smart and Skilled, TAFE has moved from a situation where it receives all of its funding directly from the NSW Government and student fees and charges, to a situation where TAFE has to compete for some of its public funding with private providers.'

Resolved on the motion of Dr Kaye: That paragraphs 6.20, 6.21 and 6.22 be amended by replacing the word 'fee' with the word 'price', wherever it occurs.

Mr Mookhey moved: That the following new paragraph and table be inserted after paragraph 6.27:

'The NSW Government's 2015-16 Budget Papers project a significant decline in student enrolments for TAFE NSW. As outlined in the below table, student enrolments including Aboriginal students and students with disabilities are steadily declining since the introduction of the Smart and Skilled policy. Furthermore during this inquiry the government has not explicitly ruled out a causal link between the increases in student fees and the decrease in student enrolments.'

	Units	2012 Actual	2013 Actual	2014 Actual	2015 Forecast <sup>(a)</sup>	
<b>Service measures:</b>						
<b>TAFE NSW Student enrolments</b>						
All students	no.	579,719	570,036	539,508	496,347	
Aboriginal Students	no.	36,901	37,607	38,038	35,375	
Students with disabilities	no.	59,167	56,983	52,894	47,605	
<b>TAFE NSW enrolments in AQF</b>						
Certificate III and above	no.	296,896	312,242	311,682	289,864	
Diploma and above	no.	76,043	87,018	103,772	114,149	
Graduates satisfied with overall quality of all TAFE training	%	90.1	88.9	87.6	89.4	
	Units	2012-13 Actual	2013-14 Actual	2014-15 Forecast	2014-15 Revised	2015-16 Forecast
<b>Employees:</b>	FTE	15,658	15,147	14,772	13,228	13,019
				2014-15 Budget \$000	2014-15 Revised \$000	2015-16 Budget \$000
<b>Financial indicators:</b>						
Total Expenses Excluding Losses			1,861,539	1,869,561	1,991,545	
Total expenses include the following:						
Employee related			1,328,943	1,211,461	1,228,187	
Other operating expenses			395,296	525,800	625,616	
Capital Expenditure			76,885	71,084	101,128	

- (a) TAFE enrolments in 2015 reflect a change in the profile of TAFE's enrolments towards higher qualifications and away from lower qualifications. TAFE is strategically focused on delivering higher level qualifications (Diploma and above) which have a higher per student cost of delivery.

[SOURCE: 2015-16 Budget Paper No. 3, p 6-20.]

Question put.

The committee divided.

Ayes: Mr Green, Dr Kaye, Mr Mookhey, Mr Wong.

Noes: Mr Amato, Ms Cusack, Mr Farlow.

Question resolved in the affirmative.

Dr Kaye moved: That the following new paragraph be inserted after paragraph 6.30:

‘TAFE’s 2014-15 annual report revealed even more alarming losses. From 2012 to 2015, a loss of 3,610 full time equivalent teachers. The number fell from 10,234 in June 2012 to 6,624 in June 2015. More than 1,000 full time equivalent support staff were also lost. TAFE has lost almost one third of its teacher workforce in just three years. [FOOTNOTE: TAFE NSW, *TAFE NSW Annual Report 2014-2015*, p 117.]

Question put.

The committee divided.

Ayes: Mr Green, Dr Kaye, Mr Mookhey, Mr Wong.

Noes: Mr Amato, Ms Cusack, Mr Farlow.

Question resolved in the affirmative.

Dr Kaye moved: That paragraph 6.36 be amended by omitting ‘, with students the ones to suffer.’ at the end of the first sentence and inserting instead ‘. While staff are subjected to unreasonable workloads and stress, students are experiencing declining support and less attention to their needs. The community will in the long run bear the brunt of lower standards of education and training.’

Question put.

The committee divided.

Ayes: Mr Green, Dr Kaye, Mr Mookhey, Mr Wong.

Noes: Mr Amato, Ms Cusack, Mr Farlow.

Question resolved in the affirmative.

Dr Kaye moved: That the heading after paragraph 6.52 be omitted and the following heading be inserted instead: ‘TAFE’s response to increasing contestability’.

Question put.

The committee divided.

Ayes: Dr Kaye, Mr Mookhey, Mr Wong.

Noes: Mr Amato, Ms Cusack, Mr Farlow, Mr Green.

Question resolved in the negative.

Resolved, on the motion of Dr Kaye: That paragraph 6.59 be moved to after paragraph 6.61 and a new heading inserted, ‘The IPROWD program’ before the paragraph.

Resolved, on the motion of Dr Kaye: That paragraph 6.62 be amended by inserting the words ‘and shares’ after the words ‘The committee acknowledges’.

Mr Mookhey moved: That the following new paragraph be inserted after paragraph 6.62:

‘The Committee does not share Mr Goodsell’s view. In light of the overwhelming evidence linking student learning outcomes with teacher quality, the significant reduction in teacher staffing experienced by TAFE, as well as the shift towards a casual and part-time teaching workforce, is likely to have an adverse impact on the quality of education provided by TAFE.’

Question put.

The committee divided.

Ayes: Dr Kaye, Mr Mookhey, Mr Wong.

Noes: Mr Amato, Ms Cusack, Mr Farlow, Mr Green.

Question resolved in the negative.

Dr Kaye moved: That paragraph 6.63 be omitted and the following new paragraph be inserted instead:

‘It is clear that the vocational education and training environment is altering in a big way. It is also clear that TAFE NSW is going through its own change process, for example in its training delivery methods and staffing profile. However, it is important to recognise that TAFE has a long history of improvement and adaptation to the evolving needs of its students and the communities it serves. It has also suffered budget cuts, student fee increases, increased casualisation and restructuring from previous governments. Some of the changes observed in TAFE are part of those ongoing processes and not a result of the introduction of Smart and Skilled.’

Question put.

The committee divided.

Ayes: Mr Green, Dr Kaye.

Noes: Mr Amato, Ms Cusack, Mr Farlow, Mr Mookhey, Mr Wong.

Question resolved in the negative.

Dr Kaye moved: That paragraph 6.64 be omitted and the following paragraph be inserted instead:

‘It is not difficult, however, to determine with a large degree of certainty that the policy measures introduced under Smart and Skilled at the beginning 2015, and the steps taken by TAFE management in anticipation, have caused the numerous adverse impacts on TAFE identified by stakeholders. While there may be numerous rationalisations for the long-term decline in TAFE enrolments, it is clear that the notable drop over the last three years is attributable to Smart and Skilled. It is of course possible that some of the new policy announcements made in the second half of 2015 (discussed in chapter 3), such as the relaxation of eligibility rules and the introduction of 200,000 fee-free places, will slow down the decline.’

Question put.

The committee divided.

Ayes: Dr Kaye, Mr Mookhey, Mr Wong.

Noes: Mr Amato, Ms Cusack, Mr Farlow, Mr Green.

Question resolved in the negative.

Dr Kaye moved: That the following paragraphs and recommendation be inserted after paragraph 6.64:

‘The committee is particularly concerned by the loss of staff. The accumulated knowledge and experience that is being driven out of TAFE by Smart and Skilled and contestability is irreplaceable. Its loss will have a long term impact not just on the institution and on current students but on the future of this state's economy, culture and social cohesion. The committee sees the reinstatement of staff and the protection of the existing, including the restoration of morale, as a matter of total priority.’

The committee considers the current situation of TAFE as unsustainable and not in the best interests of the people of NSW. Further, without a limit being placed on the market, yet more cuts to TAFE are inevitable as manager make staffing and delivery decisions in the face of growing budgetary uncertainty. The committee sees it as a matter of urgency to respond to the evidence presented of a system headed towards irreversible damage and possible collapse. It would be a gross dereliction of duty by the Minister and the government to allow this situation to continue.

The committee rejects any suggestion that what has happened to TAFE could be interpreted as an improvement. Such views are as callous in their disregard for students as they are ignorant in their

misunderstanding of TAFE and its mission. The loss of experienced and dedicated staff and the inability to deliver courses for students is unequivocally bad for TAFE and the community.

The committee rejects any suggestion that community service funding should be made contestable. This would see TAFE lose access to secure resources for work it alone can do for communities and students.

**Recommendation X**

That the NSW government immediately reinstate and increase secure funding to TAFE NSW to a level required to:

- at least restore all of teaching and support staff positions and all student support services that have been lost since 2012 and
- reduce the fees to their pre-2011 levels or less.’

Question put.

The committee divided.

Ayes: Dr Kaye, Mr Mookhey, Mr Wong.

Noes: Mr Amato, Ms Cusack, Mr Farlow, Mr Green.

Question resolved in the negative.

Dr Kaye moved: That paragraph 6.65 be omitted: ‘Of the many concerns identified by stakeholders, the committee is particularly troubled at the reduction in face-to-face delivery hours, particularly for courses involving high safety risks such as electro-technology. The committee urges the government to review face-to-face delivery hours in those courses involving high safety risks to ensure adequate teaching time.’, and the following new paragraph be inserted instead:

‘The committee is deeply troubled at the reduction in face-to-face delivery hours, including for courses involving high safety risks such as electro-technology. The committee urges the government to prescribe minimum face-to-face delivery hours in all courses for all providers subsidised under Smart and Skilled to ensure adequate teaching time, and to ensure student and community safety in courses and professions that involve risks.’

Question put.

The committee divided.

Ayes: Mr Green, Dr Kaye, Mr Mookhey, Mr Wong.

Noes: Mr Amato, Ms Cusack, Mr Farlow.

Question resolved in the affirmative.

Mr Mookhey moved: That the following paragraph be amalgamated into the paragraph inserted by Dr Kaye to replace paragraph 6.65:

‘The committee is deeply concerned at the impact that a reduction in course delivery hours will have on the quality of the education provided by TAFE, and TAFE’s ability to satisfy the learning expectations of students and employers.’

Question put.

The committee divided.

Ayes: Mr Green, Dr Kaye, Mr Mookhey, Mr Wong.

Noes: Mr Amato, Ms Cusack, Mr Farlow.

Question resolved in the affirmative.

Dr Kaye moved: That Recommendation 6 be omitted: ‘That the NSW Government review face-to-face delivery hours for courses involving high safety risks to ensure that there is adequate teaching time.’, and the following new recommendation be inserted instead:

**‘Recommendation X**

That the NSW Government establish and enforce minimum face-to-face delivery hours for all courses subsidised under Smart and Skilled to ensure that there is adequate teaching time.’

Question put.

The committee divided.

Ayes: Mr Green, Dr Kaye, Mr Mookhey, Mr Wong.

Noes: Mr Amato, Ms Cusack, Mr Farlow.

Question resolved in the affirmative.

Resolved, on the motion of Mr Mookhey: That the following new paragraph be inserted before paragraph 6.66:

‘In general, the evidentiary record available to the committee suggests that not all TAFE courses are perfectly substitutable between online and face-to face learning environments, and insufficient evidence is available for the committee to determine whether quality outcomes between online and face-to-face learning are comparable.’

Resolved, on the motion of Mr Mookhey: That the following new recommendation be inserted after the previous new paragraph:

**‘Recommendation X**

That the NSW Skills Board study the post-qualification outcomes of graduates of online courses, compared with graduates of face-to-face courses, to determine whether there is any variance in employment, income and participation in further vocational or tertiary education.’

Mr Mookhey moved: That the following new paragraph be inserted before paragraph 6.66:

‘The committee expresses its deep concerns at the cuts to learner support, access and outreach courses. Reductions in these services are likely to have an adverse impact on satisfying the equity objectives of TAFE, as well on teaching quality and completion rates.’

Question put.

The committee divided.

Ayes: Dr Kaye, Mr Mookhey, Mr Wong.

Noes: Mr Amato, Ms Cusack, Mr Farlow, Mr Green.

Question resolved in the negative.

Mr Mookhey moved: That the following new paragraph be inserted before paragraph 6.66:

‘The committee is concerned about cuts to counselling, library and other student services. Reductions in these services are likely to have an adverse impact on teaching quality and completion rates.’

Question put.

The committee divided.

Ayes: Mr Green, Dr Kaye, Mr Mookhey, Mr Wong.

Noes: Mr Amato, Ms Cusack, Mr Farlow.

Question resolved in the affirmative.

Dr Kaye moved: That paragraph 6.66 be omitted and the following paragraph be inserted instead:

‘We note with concern that TAFE institutes are taking a percentage of the course prices they receive to pay for administrative overheads and other institutional costs. In the committee’s view, the government should increase the level of the operational base funding and community service obligation funding TAFE receives and provide guarantees of its future. This should be set at levels at which TAFE management does not need to extract a proportion of the course prices to supplement administrative overheads, which in effect places some of the burden onto students and teachers, who then suffer the impact.’

Question put.

The committee divided.

Ayes: Dr Kaye, Mr Mookhey, Mr Wong.

Noes: Mr Amato, Ms Cusack, Mr Farlow, Mr Green.

Question resolved in the negative.

Mr Farlow moved: That paragraph 6.66 be omitted and the following paragraph be inserted instead:

‘We note that TAFE institutes are using a percentage of the course fees they receive to pay for administrative overheads. In the committee’s view, these costs should be covered by the operational base funding TAFE receives directly from the government.’

Question put.

The committee divided.

Ayes: Mr Amato, Ms Cusack, Mr Farlow.

Noes: Mr Green, Dr Kaye, Mr Mookhey, Mr Wong.

Question resolved in the negative.

Mr Wong left the meeting.

Mr Moselmane joined the meeting.

Resolved, on the motion of Dr Kaye: That paragraph 6.67 be omitted: ‘In order for TAFE to thrive and for training quality to be maintained, it must reduce its overhead costs and become more efficient. Making these changes this will ultimately better position TAFE to compete in a more competitive training market, while continuing to provide the supportive learning environment of which TAFE is justifiably proud.’, and the following new paragraph be inserted instead:

‘TAFE should reduce its overhead costs to the minimum level consistent with the provision of quality education and training to students and the maintenance of staff and support. However, improved efficiency should not be established at the expense of the supportive learning environment of which TAFE is justifiably proud or the sustainability of its workforce.’

Dr Kaye moved: That the following new paragraph be inserted after paragraph 6.67:

‘TAFE has been plunged into an environment that is placing unreasonable and unattainable demands on its budget and its staff. It is a responsibility of government to provide adequate and secure funding to meet those demands just as much as it is a responsibility of TAFE management to spend them as efficiently as possible. The minister and the state government cannot blame TAFE for the damage done to TAFE when it is the same government that has deliberately engineered the market environment.’

Question put.

The committee divided.

Ayes: Dr Kaye, Mr Mookhey, Mr Moselmane.

Noes: Mr Amato, Ms Cusack, Mr Farlow, Mr Green.

Question resolved in the negative.

Dr Kaye moved: That the first three sentences of paragraph 6.68 be omitted and the following paragraph be inserted instead:

‘The committee supports TAFE’s efforts to broaden the types of places where training is delivered, such as community centres or libraries. In our travels across New South Wales, the committee has been struck by the extent and quality of the facilities on offer at TAFE campuses right around the state. However the desirability of taking TAFE teaching into the community must not be used as an excuse to sell off TAFE fixed and owned sites that still have a useful role to play, as a revenue raising measure. The committee accepts that TAFE buildings play a critical role in the future of public sector vocational education and training and that they are associated with the quality that TAFE upholds.’

Question put.

The committee divided.

Ayes: Dr Kaye, Mr Mookhey, Mr Moselmane.

Noes: Mr Amato, Ms Cusack, Mr Farlow, Mr Green.

Question resolved in the negative.

Dr Kaye moved: That the last three sentences of paragraph 6.68 be omitted and the following paragraph be inserted instead:

‘The committee recognises that sharing TAFE facilities with private providers who would be willing to pay for access would be exploited by the private sector to imply that their product was in some way of TAFE quality. Students should be able enter a TAFE campus knowing they are about to receive TAFE-quality education. To do otherwise would be deeply deceptive. Such leasing arrangements would be misleading and deceptive. They would also in some areas, such as electro-technology and building, create uncontrollable safety risks for teachers and students. TAFE needs a home base and leasing arrangements, such as have been implemented in Queensland, would deny the public system an identity and a base.’

Question put.

The committee divided.

Ayes: Dr Kaye.

Noes: Mr Amato, Ms Cusack, Mr Farlow, Mr Green, Mr Mookhey, Mr Moselmane.

Question resolved in the negative.

Dr Kaye moved: That Recommendation 7 be omitted and the following recommendation be inserted instead:

‘That TAFE NSW should be guaranteed secure access to its buildings and facilities and not be placed under any commercial or policy pressure to lease them out to private providers.’

Question put.

The committee divided.

Ayes: Dr Kaye.

Noes: Mr Amato, Ms Cusack, Mr Farlow, Mr Green, Mr Mookhey, Mr Moselmane.

Question resolved in the negative.

Resolved, on the motion of Mr Mookhey: That Recommendation 7 be omitted: ‘That TAFE NSW allow other training providers to use its facilities for a commercial fee, subject to rigorous safety precautions.’, and the following new recommendation be inserted instead:

**‘Recommendation X**

That TAFE NSW:

- allow other training providers to use its facilities for a commercial fee, subject to rigorous safety precautions
- be guaranteed secure access to its buildings and facilities.’

Dr Kaye moved: That paragraph 6.69 be amended by omitting the second sentence and merging paragraphs 6.69 and 6.70.

Question put.

The committee divided.

Ayes: Dr Kaye, Mr Mookhey, Mr Moselmane.

Noes: Mr Amato, Ms Cusack, Mr Farlow, Mr Green.

Question resolved in the negative.

Dr Kaye moved: That paragraph 6.71 be omitted and the following paragraph be inserted instead:

‘Finally, and on a different note, the committee is dismayed at the lack of the NSW Government's transparency around TAFE's direct funding, with the Minister and his bureaucrats refusing to provide the committee with clear information around the amount and breakdown of the funding and their future projections. Given that these funding allocations represent TAFE's secure budget – the amount TAFE knows it can rely on from year to year to provide services, despite fluctuations in the amount of contestable funding it receives – this is unacceptable.’

Question put.

The committee divided.

Ayes: Dr Kaye, Mr Mookhey, Mr Moselmane.

Noes: Mr Amato, Ms Cusack, Mr Farlow, Mr Green.

Question resolved in the negative.

**Chapter 7.**

Resolved, on the motion of Dr Kaye: That paragraph 7.1 be amended by omitting ‘was developed by the Department’ and inserting instead ‘was developed for the Department’.

Resolved, on the motion of Mr Farlow: That the following new paragraph be inserted after paragraph 7.36:

‘The committee also heard evidence from the TAFE NSW Western Institute executive that they had been able to make the system work for them, with some difficulty, and at some opportunity cost using their existing interfaces and platforms. Their experience was able to minimise any impact on students and enrolments and should be reviewed to see how their experience can assist other institutes.’

Mr Farlow moved: That paragraph 7.49 be amended by omitting ‘The government was aware, prior to the introduction of the new system, that there would be problems. Yet because of a lack of adequate planning and management, the government appears to have been slow to provide resources and support when those problems eventuated.’

Question put.

The committee divided.

Ayes: Mr Amato, Ms Cusack, Mr Farlow.

Noes: Dr Kaye, Mr Green, Mr Mookhey, Mr Moselmane.

Question resolved in the negative.

Dr Kaye moved: That the following new paragraph be inserted after paragraph 7.51:

‘Despite claims that the timetable for the introduction of the new software was about the need to replace the existing systems, the committee is convinced that the rushed rollout of SALMS/EBS was to meet the implementation of Smart and Skilled which would not have been possible in a TAFE operating under the old software system. It is clear therefore that the software timetable was driven by the political imperative of starting the contestable market before the March 2015 state election. Students and teachers in TAFE have been the victims of heartless and incompetent decision making at the highest level.’

Question put.

The committee divided.

Ayes: Dr Kaye, Mr Mookhey, Mr Moselmane.

Noes: Mr Amato, Ms Cusack, Mr Farlow, Mr Green.

Question resolved in the negative.

Dr Kaye moved: That the following new paragraph be inserted after paragraph 7.51:

‘The committee does not accept the excuses provided by the then Director of TAFE. On the evidence presented to the committee Ms Christie was fully aware of the high likelihood of calamitous outcomes and unless she was under instructions from her minister, she bears much of the blame.’

Question put.

The committee divided.

Ayes: Dr Kaye, Mr Mookhey, Mr Moselmane.

Noes: Mr Amato, Ms Cusack, Mr Farlow, Mr Green.

Question resolved in the negative.

Dr Kaye moved: That the following new paragraph be inserted after paragraph 7.52:

‘The committee acknowledges the SAMLs/EBS or other custom software is critical to TAFE’s involvement in Smart and Skilled. Further, software that would support TAFE’s involvement in the training market is not an off-the-shelf item and its development would take some years. The inevitable consequence is that the Smart and Skilled training market should at the very least be suspended.’

That Recommendation 10 be amended by inserting ‘and consequently at the very least suspend Smart and Skilled’ after ‘and go back to the drawing board’.

Question put.

The committee divided.

Ayes: Dr Kaye.

Noes: Mr Amato, Ms Cusack, Mr Farlow, Mr Green, Mr Mookhey, Mr Moselmane.

Question resolved in the negative.

Mr Farlow moved: That paragraph 7.52 be amended by omitting ‘However, the committee can reach no other conclusion than that the SALM/EBS system is so dysfunctional that it must be abolished. The government should go back to the drawing board.’, and inserting instead ‘The government should review the system.’

Question put.

The committee divided.

Ayes: Mr Amato, Ms Cusack, Mr Farlow.

Noes: Dr Kaye, Mr Green, Mr Mookhey, Mr Moselmane.

Question resolved in the negative.

Mr Farlow moved: That Recommendation 10 be omitted: ‘That the NSW Government abolish the SALM/EBS system used by TAFE NSW, and go back to the drawing board.’, and the following new recommendation be inserted instead:

‘That the NSW Government review the SALM/EBS system used by TAFE NSW.’

Question put.

The committee divided.

Ayes: Mr Amato, Ms Cusack, Mr Farlow.

Noes: Dr Kaye, Mr Green, Mr Mookhey, Mr Moselmane.

Question resolved in the negative.

### **Chapter 8.**

Dr Kaye moved: That paragraph 8.13 be amended by inserting ‘, all of which came from the private training industry’ after ‘On the other hand, the committee also heard evidence’.

Question put.

The committee divided.

Ayes: Dr Kaye, Mr Mookhey, Mr Moselmane.

Noes: Mr Amato, Ms Cusack, Mr Farlow, Mr Green.

Question resolved in the negative.

Dr Kaye moved: That paragraph 8.14 be amended by omitting ‘the committee heard from numerous providers’ and inserting instead ‘the committee heard from numerous private providers’.

Question put.

The committee divided.

Ayes: Dr Kaye, Mr Mookhey, Mr Moselmane.

Noes: Mr Amato, Ms Cusack, Mr Farlow, Mr Green.

Question resolved in the negative.

Dr Kaye moved: That paragraph 8.34 be omitted: ‘An apparent increase in this type of unscrupulous behaviour, and the media attention surrounding it, has coincided with the introduction of Smart and Skilled this year. This may have helped fuel the perception that the majority of private providers behave this way, and that the contestable training market brought about under Smart and Skilled is to blame.’, and the following new paragraph be inserted:

‘An apparent increase in this type of unscrupulous behaviour, and the media attention surrounding it, coincided with the introduction of Smart and Skilled this year. This may have helped focus public attention on private providers behavior and the role that the contestable training market

such as Smart and Skilled play in creating opportunities and incentives for adverse behavior and rorting.’

That paragraph 8.35 be omitted: ‘However, this is not the case. The practices of a small minority of private providers who engage in ‘tick and flick’ training are certainly not representative of the vast majority of providers in receipt of Smart and Skilled funding, who are committed to providing quality training to their students.’, and the following new paragraph be inserted:

‘The committee received no evidence that would allow it to assess how widespread private provider practices such as ‘tick and flick’ training are amongst providers in receipt of Smart and Skilled funding. This is not surprising given that the program has been in operation for less than 12 months and that evidence about the VET FEE HELP funded scandals did not emerge into the public domain for several years. However, the history of publicly-funded private provision of VET is that where there are loopholes and opportunities, there will be unscrupulous operators who will move to exploit them. It is the committee’s opinion that such loopholes are intrinsic to and inseparable from contestable allocation of public skills funding.

That paragraph 8.36 be omitted: ‘The committee welcomes the Australian Government’s recent changes to the VET FEE-HELP scheme. Some changes, such as the ban on inducements, are long overdue. However, more needs to be done to safeguard VET FEE-HELP against abuse by unscrupulous operators – as acknowledged by Minister Birmingham when he said that the Australian Government intends to introduce a new model for VET FEE-HELP in 2017. The committee urges the Australian Government to pursue the new model as a matter of urgency.’, and the following new paragraph be inserted:

‘The committee notes the Australian Government’s recent changes to the VET FEE-HELP scheme. Some changes, such as the ban on inducements, are long overdue. However, the federal government is now in a regulatory arms race with the private sector, where each improvement to the regulatory environment will be met by counter measures that undermine it. Safeguarding VET FEE-HELP against abuse by unscrupulous operators is an impossible task, the ultimately futile pursuit of which will consume unacceptable levels of resources and funds. The fundamental conceptual architecture of for-profit private providers accessing through student fees income-contingent loans cannot be protected against unscrupulous operators. While Minister Birmingham has said that the Australian Government intends to introduce a new model for VET FEE-HELP in 2017 unless it abandons the concept of income-contingent loans it too is doomed to failure. The committee urges the Australian Government to abandon the new model and restore direct funding to TAFE for higher level qualifications. This will prove to be more efficient and will remove a source of reputational damage to the education sector.’

Question put.

The committee divided.

Ayes: Dr Kaye.

Noes: Mr Amato, Ms Cusack, Mr Farlow, Mr Green, Mr Mookhey, Mr Moselmane.

Question resolved in the negative.

Dr Kaye moved: That paragraph 8.37 be amended by inserting ‘However, the cost of attempting to achieve effective outcomes will prove to be prohibitive and ultimately wasted’ after ‘particularly in dealing with ‘dodgy’ providers’.

Question put.

The committee divided.

Ayes: Dr Kaye.

Noes: Mr Amato, Ms Cusack, Mr Farlow, Mr Green, Mr Mookhey, Mr Moselmane.

Question resolved in the negative.

Dr Kaye moved: That Recommendation 12 be amended by omitting ‘introduce a new model for VET FEE-HELP as a matter of urgency, with stronger safeguards against abuse’ and inserting instead ‘abandon VET FEE-HELP and the concept of income-contingent loans as a matter of urgency, and replace them with direct funding of TAFE institutes for higher-level qualifications’.

Question put.

The committee divided.

Ayes: Dr Kaye.

Noes: Mr Amato, Ms Cusack, Mr Farlow, Mr Green, Mr Mookhey, Mr Moselmane.

Question resolved in the negative.

Dr Kaye moved: That Recommendation 13 be amended by:

- a) inserting ‘(1)’ after ‘That the NSW Government’
- b) inserting ‘And (2) put in place immediate close monitoring of all non-government providers of state-subsidised training.’ after, ‘and compliance provisions in the Smart and Skilled contracts.’

Question put.

The committee divided.

Ayes: Dr Kaye, Mr Mookhey, Mr Moselmane.

Noes: Mr Amato, Ms Cusack, Mr Farlow, Mr Green.

Question resolved in the negative.

Resolved, on the motion of Mr Mookhey: That the following new recommendation be inserted after Recommendation 13:

**‘Recommendation X**

That the NSW Government recognise that it has primary responsibility for regulating quality outcomes and ensuring contractual compliance for all providers in receipt of Smart and Skilled contracts.’

Resolved, on the motion of Mr Mookhey: That the following new recommendation be inserted after the previous new recommendation:

**‘Recommendation X**

That State Training Services include in all Smart and Skilled contracts performance standards reflective of all the conditions contained in the Smart and Skilled Quality Framework.’

Resolved, on the motion of Mr Mookhey: That the following new recommendation be inserted after the previous new recommendation:

**‘Recommendation X**

That State Training Services include in all Smart and Skilled contracts the requirement for a provider to consent to any inspection by an authorised State Training Services agent, and any request for any document relevant to a State Training Services investigation.’

Mr Mookhey moved: That the following new recommendation be inserted after the previous new recommendation:

**‘Recommendation X**

That independently of the Australian Skills Quality Authority, State Training Services develop an audit and compliance strategy that, throughout the course of a three-year contract, checks every provider for contractual compliance, and continued compliance with the NSW Quality Framework.’

Question put.

The committee divided.

Ayes: Mr Green, Dr Kaye, Mr Mookhey, Mr Moselmane.

Noes: Mr Amato, Ms Cusack, Mr Farlow.

Question resolved in the affirmative.

Mr Mookhey moved: That the following new recommendation be inserted after the previous new recommendation:

**‘Recommendation X**

That State Training Services maintain a public register of contractual breaches that lists the contractor in breach, an explanation of the breach, and a statement on State Training Services action to obtain a suitable remedy for the breach.’

Question put.

The committee divided.

Ayes: Dr Kaye, Mr Mookhey, Mr Moselmane.

Noes: Mr Amato, Ms Cusack, Mr Farlow, Mr Green.

Question resolved in the negative.

Mr Mookhey moved: That the following new recommendation be inserted after the previous new recommendation:

**‘Recommendation X**

That the NSW Government investigate further compliance measures that may allow State Training Services to recover any student fee or contribution for any student found to have been adversely affected by a breach of a Smart and Skilled contract.’

Question put.

The committee divided.

Ayes: Mr Green, Dr Kaye, Mr Mookhey, Mr Moselmane.

Noes: Mr Amato, Ms Cusack, Mr Farlow.

Question resolved in the affirmative.

Mr Mookhey moved: That the following new recommendations be inserted after the previous new recommendation:

**‘Recommendation X**

That the NSW Government investigate the option of banning any vocational provider from participation in the Smart and Skilled program if that provider, at any time, has been found to have unscrupulously offered any inducement to a student to enrol in a vocational education and training course.

**Recommendation X**

That the NSW Government investigate the option of including in all Smart and Skilled contracts a termination clause that lets State Training Services terminate any contract if a contractor has been found to have unscrupulously offered any inducement to a student to enrol in a vocational education and training course while contracted to State Training Services.’

Question put.

The committee divided.

Ayes: Mr Green, Dr Kaye, Mr Mookhey, Mr Moselmane.

Noes: Mr Amato, Ms Cusack, Mr Farlow.

Question resolved in the affirmative.

Mr Mookhey moved: That the following new recommendation be inserted after the previous new recommendation:

**‘Recommendation X**

That should the Australian Skills Quality Authority fail to demonstrate serious and significant improvements in compliance and enforcement outcomes in the vocational sector, the NSW Government recover accreditation and enforcement powers ceded by the NSW Government.’

Question put.

The committee divided.

Ayes: Dr Kaye, Mr Mookhey, Mr Moselmane.

Noes: Mr Amato, Ms Cusack, Mr Farlow, Mr Green.

Question resolved in the negative.

**Chapter 9.**

Dr Kaye moved: That paragraph 9.72 be amended by:

- a) inserting ‘before Smart and Skilled’ after ‘with the public school system’
- b) omitting ‘This is clearly an equity issue and we urge the government to address it’ and inserting instead ‘The committee is concerned about reports that new arrangements for TVET will effectively exclude large numbers of public school students from accessing VET courses.’

That Recommendation 15 be omitted: ‘That the NSW Government review the funding arrangements for school-based vocational education and training programs to promote equity of access between public and private school students.’, and the following new recommendation be inserted instead:

‘That the NSW Government restore the demand-driven funding arrangements for TVET in public schools to ensure that all students in the public school sector can access TAFE courses. Funding should be increased for other school-based vocational education and training programs to promote access for public school students.’

Question put.

The committee divided.

Ayes: Dr Kaye.

Noes: Mr Amato, Ms Cusack, Mr Farlow, Mr Green, Mr Mookhey, Mr Moselmane.

Question resolved in the negative.

Dr Kaye moved: That paragraph 9.76 be omitted: ‘Finally, the committee is concerned about the double-bind in which home-schooled students find themselves, excluded both from accessing Smart and Skilled subsidies and from accessing school-based vocational education and training programs. This makes it much more difficult for the 3,000 or so home-schooled students in New South Wales to access vocational education and training, putting them at a significant disadvantage compared to other students.’

That paragraph 9.77 be omitted: ‘This is yet another equity issue and a real gap in the system. In recognition of the unique position of home-schooled students, the Smart and Skilled eligibility criteria should be amended so that registered home-schooled students are eligible for subsidised Smart and Skilled entitlement training.’

That Recommendation 17 be omitted: ‘That the NSW Government promote equity by amending the Smart and Skilled eligibility criteria to allow registered home-schooled students to access subsidised Smart and Skilled entitlement training.’

Question put.

The committee divided.

Ayes: Dr Kaye.

Noes: Mr Amato, Ms Cusack, Mr Farlow, Mr Green, Mr Mookhey, Mr Moselmane.

Question resolved in the negative.

Ms Cusack moved: That the draft report as amended be the report of the committee and that the committee present the report to the House.

Question put.

The committee divided.

Ayes: Mr Amato, Ms Cusack, Mr Farlow, Mr Green.

Noes: Dr Kaye, Mr Mookhey, Mr Moselmane.

Question resolved in the affirmative.

Resolved, on the motion of Mr Mookhey: That:

- The transcripts of evidence, submissions, tabled documents, answers to questions on notice and supplementary questions, and correspondence relating to the inquiry be tabled in the House with the report;
- Upon tabling, all unpublished attachments to submissions be kept confidential by the committee;
- Upon tabling, all unpublished transcripts of evidence, submissions, tabled documents, answers to questions on notice and supplementary questions, and correspondence relating to the inquiry, be published by the committee, except for those documents kept confidential by resolution of the committee;
- The committee secretariat correct any typographical, grammatical and formatting errors prior to tabling;
- The committee secretariat be authorised to update any committee comments where necessary to reflect changes to recommendations or new recommendations resolved by the committee;
- Dissenting statements be provided to the secretariat by 12.00 pm on Monday 14 December 2015;
- That the report be tabled on 15 December 2015.

## 5. Adjournment

The committee adjourned at 1.44 pm, *sine die*.

Sharon Ohnesorge  
**Clerk to the Committee**

## Appendix 6 Dissenting statements

### DISSENTING STATEMENT – THE HON DANIEL MOOKHEY MLC

#### INTRODUCTION

We, the Labor Members of the VET Inquiry, dissent from the Committee Report (hereafter, *the Report*). Even though the report accurately captures the *scope* of impact on TAFE and the NSW vocational training market arising from the introduction of ‘Smart and Skilled’ policy by the Baird Liberal Government, it does not properly describe the *magnitude* of that impact. The calamitous effects Smart Skilled has had on the *quality* of vocational education paid for by the taxpayers of New South Wales.

Since the policy’s implementation in 2015, the number of students enrolled in vocational education has declined precipitously. The number of courses available for enrolment has fallen calamitously. The number of teachers, and support staff, employed to teach them has dropped dramatically. And the number of libraries, counsellors and other support staff – who significantly lift the likelihood of course completion – has been pared back catastrophically.

The reason is poor market design. From deciding which courses attract subsidy; estimating the price of providing that course; determining the regions where that course can be provided; selecting the private providers who, alongside TAFE, can provide those courses; as well deciding how (and when) those courses are paid for – *Smart and Skilled* gets it wrong.

Unless rectifications are made, *Smart and Skilled* will continue to disappoint both Students and Employers. Revisions are needed to the pricing methodology, tender rules, and supervisory framework if the full benefits of a contestable market are to be realised.

It is disappointing that the Report’s recommendations are insufficiently emphatic about insisting on the urgent changes that are needed.

#### SMART AND SKILLED’S IMPACT ON STUDENT ENROLMENT

The most worrying impact of Smart and Skilled is on student enrolment in TAFE. The report reproduces the Baird Government’s own projections for TAFE enrolments, contained in this year’s budget paper; as reproduced on page 73 of the report.

However, the report wrongly refuses to take a definitive position on the cause of this enrolment collapse: the dramatic increase in student fees; the result of the Smart and Skilled pricing model.

The report treats the Baird Government’s spin, offered by the Minister and the Managing Director of TAFE, that the enrolment collapse is either cyclical, or the result of factors other than price, as having equivalent accuracy to the direct evidence provided by students (especially those who submitted through Unions NSW) that price deterred them from enrolment.

Students, wanting to learn, unable to enrol because of un-affordability of learning, is a tragedy. Amidst an era of tremendous changes in the nature of work, when so many occupations that once provided a pathway to middle class living are obsolete - pricing people out of training and retraining is the worst result possible of *Smart and Skilled*.

## THE QUALITY OF VOCATIONAL EDUCATION

The report is right to express its concerns about the impact of *Smart and Skilled* has had on TAFE NSW. It could be clearer about the effect *Smart and Skilled* has had on the quality of training provided by private providers. And it is not at all clear about the reason why quality is being adversely affected in both: the IPART methodology.

IPART's methodology is based on the 'efficient price mechanism' ('EPM'). The EPM calculates the 'efficient costs of providing training' that meets the 'required quality standard' to a standard student. IPART then applies an adjustment process it claims accounts for variations 'driven by the industry with which the training is associated.'

EPMs are commonly used in the healthcare sector. They are novel in the educational sector. This is because they omit consideration of many pedagogical factors that affect the quality of a student's vocational training. Factors like teacher training, class ratios, support hours, etc.

For this reason, in education, the trend is towards using pricing methodologies that fund the minimum level or recurrent resources required to enable students the opportunity to achieve an agreed educational outcome. A 'resource standard' currently funds primary and secondary education in NSW. It was the main proposal of the *Gonski Review of School Funding*.

The reduction in teacher staffing, course delivery hours, learner support, outreach courses, student counselling, library and other student services that the report, rightly, says has had a deleterious impact on the quality of TAFE education stems from the inability of TAFE to recover these costs from the contestable portion of its funding. Private Providers, who also use a more cost intensive pedagogy, are punished equally by the EPM.

It is pleasing that the report supported Labor's call for a NSW Skills Board investigation into the suitability of the EPM in pricing the cost of a qualification.

## QUALITY SUPERVISION AND ENFORCEMENT

The media is overwrought with a stream of stories about dodgy providers saddling unsuspecting students with unprecedented levels of debt by engaging in unconscionable conduct. It rightly attributes the proliferation of these practices to federal vocational educational policies. But it is insufficiently bold about calling on the NSW Government to use its most powerful lever to insist on ethical practice in the vocational sector: the contractual framework.

Whilst the report does contain a series of recommendations such as the use of the state government's procurement powers to enforce an audit framework that checks every provider for contractual compliance during a three-year period it does not include one to create a public register that provides students and employers with a list of providers who have breached minimum performance standards.

## **CONCLUSION**

These are the principal reasons for our dissent from the report. Space precludes us from offering others.

## DISSENTING STATEMENT – DR JOHN KAYE MLC

### Contestable funding and TAFE

The future viability of TAFE in NSW is facing a crisis, brought on by the decision of state and federal governments, both Labor and Coalition, to expose it to competition with private providers for public funds.

The majority report does not address in any meaningful way the fundamental impacts of unrestrained contestability, despite the centrality of its consequences to the future of TAFE and to the quality of, and access to, vocational education and training.

The majority recommendations are based on the assumption that a competitive market can be designed and implemented in a way that allows a future for TAFE, protects quality and continues to provide access for students with disability or disadvantage.

The problem, as expressed by the report's recommendations, is about the specific design features of this market.

This assumption is false, as the Committee was informed by a number of TAFE teachers and unions.

The depth of impact of *Smart and Skilled* and the experience with other market designs in other states and territories in Australia underlines the fundamental reality that education is not a commodity. It cannot be successfully traded through a market.

The unmeasurable qualities of social and individual transformation through education invalidate attempts to apply microeconomic theory to VET.

Further, education is a perceived good, where quality decisions are made on the basis not of experience, but of supplied information, much of which is false in the case of many private providers.

Attempts to improve the *Smart and Skilled* market while still allowing it access to an unlimited share of the total training budget, as recommended by the majority, might remove some of the more obvious irrationalities.

However, it will leave TAFE in competition with an industry that is increasingly dominated by participants who place profits ahead of student outcomes.

As the depth of contestability continues to grow, it will expose more scandalous behaviour by private providers and more exclusion of students. Quality will suffer, regardless of market design.

TAFE will either be forced to join the race to the bottom or lose increasing numbers of students and hence funds.

The committee majority rejected a Greens proposal for a legislated limit on the proportion of the state's total vocational education and training budget that is allocated contestably, with the remainder securely provided to TAFE.

In doing so, they are condemning the jobs of thousands of TAFE teachers and support staff as managers, denied security over their future budgets, seek to reduce the workforce and cut back on teaching hours and support.

The recommendation to establish and enforce minimum delivery hours, while very helpful in the short term, would see private providers seek other ways to minimise costs at the expense of educational and training outcomes.

While the recommendation to reform loadings for disability would remove some of the pressure on support and adjustment, students who present additional needs will inevitably suffer in a competitive market dominated by providers who are driven by maximising profits.

The recommendation to make improvements to the federal government's VET FEE-HELP income-contingent loan scheme is similarly doomed to failure.

Expending yet more public money on performance monitoring and compliance might identify some of the transgressors but it will become a regulatory arms race for which there is no known end point.

No amount of tweaking of any market that puts TAFE in competition with private providers will be able to resolve the underlying problems of contestability.

### **Thin Markets**

The committee recommended the imposition of a limit on contestability for rural, regional and remote communities, but rejected a Greens move to extend this important protection to other so-called "thin markets".

While TAFE colleges serving these communities have no doubt suffered as a result of *Smart and Skilled*, the recommendation could result in TAFE surviving in some parts of the state but not in others. This is not a sustainable outcome for rural and regional NSW, nor is it for students who live in other parts of the state but in whom private providers have little or no commercial interest.

The committee majority rejected a Greens amendment to broaden the recommendation to include all thin markets, thus exposing a substantial inconsistency.

### **Computer software**

The SALM/EBS software has caused untold damage to teachers, students and to TAFE itself. Its implementation in the face of warnings that it would not work was a political decision designed to secure a start date for *Smart and Skilled*.

The Greens support the termination of this software as soon as possible and funding to ensure that the damage that has been done is, as much as possible, repaired.

Training markets which pay providers for entire courses, rather than units of competency, impose specific enrolment management requirements on a large system like TAFE. Without SALM/EBS or an equivalent (but hopefully functional) custom-built software package, TAFE would be unable to operate in *Smart and Skilled*.

Software with this functionality will not be an off-the-shelf item.

The committee's recommendation to "abolish" the software and "go back to the drawing board" is therefore nothing but grandstanding without also seeking to at least suspend *Smart and Skilled* until a functional alternative has been developed and comprehensively tested.

The committee majority rejected a Greens amendment to do this, preferring instead to maintain the fiction that the software could be abolished and somehow the market could continue to operate. The false hope given to embattled TAFE teachers is deeply regrettable.

### **VET for school students**

The Greens do not support the allocation of yet more public funds to private schools for vocational education and training programs. The skills budget, like the education budget, is tightly constrained and the non-government schooling sector already receives substantial subsidies.

The committee majority also rejected an amendment to address concerns about the future of TVET under *Smart and Skilled*.