

**INQUIRY INTO VOCATIONAL EDUCATION AND  
TRAINING IN NEW SOUTH WALES**

**Organisation:** Australian Council for Private Education and Training (ACPET)  
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# Inquiry into vocational education and training in New South Wales

ACPET submission

August 2015

## Introduction

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Established in 1992, ACPET is the national industry association for private providers of post-compulsory education and training. ACPET has over 1,200 members nationally who deliver a range of vocational education and training (VET), higher education, and English language courses across all states and territories, as well as internationally. Some 330 of these members are located in New South Wales.

ACPET's mission is to enhance quality, choice and innovation in Australian education and training. ACPET members include commercial and not-for-profit entities, community groups, industry providers and enterprise-based training organisations. ACPET works with governments, industries and community organisations to ensure VET, higher education, English language and international education programs are well targeted, accessible and delivered to a high standard.

As the educational sector most directly aligned to meeting the needs of the state and national workforce it is important that the VET sector is fit-for-purpose - that it is able to not only meet current workforce skill needs but also well positioned to flexibly respond to the changing needs of students, industry and the community. ACPET's members are committed to achieving this outcome.

There has, of course, been significant reform of the VET sector across Australia in recent years. With the experience of its membership in all states and territories, ACPET is able to provide a perspective not only on the VET sector in New South Wales but also the broader context and impact of reforms across the country.

## Key Messages

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All states and territories have sought to reform their respective VET systems in recent years against a backdrop of demands for greater student and industry choice and responsiveness and the constraints of finite budgets and the need to support the public provider.

While contestable VET programs provide a means of enhancing choice for students and industry and achieving efficiencies for governments, implementation in some states and territories has suffered due to the failure to recognise and properly resource the important program stewardship role of government - contestability does not mean 'hands-off'. ACPET strongly supports measures to lift the integrity and quality of VET.

A diversity of providers that enable greater student choice and a commitment to meeting their individual needs are key factors in the decisions made to undertake VET. Well-designed contestable training markets can significantly boost the participation by disadvantaged students - provided the eligibility criteria are appropriate.

Around a third of the 1.79 million students enrolled nationally in government-funded VET in 2014 received their training through private providers. In New South Wales nearly 500 private providers delivered government-funded training in 2014.

New delivery strategies harnessing technology and greater flexibility in regard to facilities and staffing are underpinning private provider efficiencies that are enabling more affordable and accessible VET without compromising quality or outcomes.

Student satisfaction with the quality of training received from public and other providers is very high and remained so for the last decade or more. Some 45% 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.

Private providers receive the lowest proportion of government VET funding in New South Wales compared to any other state or territory. There has been no growth in the state's VET budget in a decade.

The cautious approach to contestability in New South Wales has not only limited the capacity to assist more students but also produced no real benefits in terms of the student and industry outcomes.

The New South Wales Auditor-General has concluded that the state's approach to contestability through *Smart and Skilled* is unlikely to support the achievement of the goal of increasing the proportion of the working age population with a Certificate III qualification by 50% by 2020.

There has been an alarming drop in apprenticeships and traineeship commencements nationally and in New South Wales from 2013 to 2014. This partly reflects the decisions by governments to prioritise funding (incentives, user choice) away from traineeships. These government policy and funding decisions need to be reviewed as a matter of priority.

There have been major failings in the *Smart and Skilled* contracting arrangements – they have not created a more contestable market. ACPET members have reported major flaws with the misalignment of provider capacity and contract locations, contract caps that make delivery unviable and contracts not being awarded to high-quality providers with strong, long-standing government and industry links. This flawed management of contract allocations has been accompanied by large increases in student contributions for some programs, delays in awarding contracts and the exclusion of some markets altogether (e.g. foundation skills).

This failed process, if not addressed, risks long-term damage to the skilling and employment prospects for students, the disengagement of industry from the VET sector, many training organisations facing closure and significant staff retrenchments and damage to the New South Wales economy. ACPET welcomes the Government's review of *Smart and Skilled* and looks forward to open and transparent engagement so that a contestable model that maximises the benefits for students and industry restores the reputation of the sector and the return for the state's investment in VET is achieved.

## Context for ACPET submission

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The VET sector, not unlike the education and higher education sectors, has undergone considerable reform in recent years. The challenges and opportunities provided by technology, global markets and a more mobile workforce are but a few of the factors shaping the sector and driving the reforms.

While the policy, regulation and public funding of the sector has long been the function of states and territories, a common theme of reforms since the 1980s has been the move towards a more national approach - not unlike many other areas of public policy and administration. This can be seen, for example, in the development of national training packages and the (almost) national regulation provided by the Australian Skills Quality Authority (ASQA).

This national approach has also extended to public funding policy with state, territory and Australian governments agreeing to key funding priorities for skills development across the country. The 2012

National Partnership Agreement on Skills Reform (NPASR) outlines the arrangements to support a more accessible VET sector that is responsive to the needs of students, employers and industry. A key element of the agreement (and Australian Government funding) is the student entitlement to a Certificate III qualification<sup>1</sup>.

While broad principles underpin the agreement, including greater contestability and student choice, states and territories have been responsible for implementation of the student entitlement. The result has essentially been the development of eight state and territory systems that feature inconsistencies and complexities in student and program eligibility, subsidies and student fees.

As Noonan and Pilcher have pointed out, this largely reflects the reality that states and territories do not have the budget resources (and perhaps the commitment) to meet the requirements of their VET systems and the student entitlement<sup>2</sup>.

Of course, states and territories have been informed by the experience in Victoria, where a student entitlement was introduced in 2008 through the *Victorian Training Guarantee (VTG)*, with relatively few funding or program eligibility constraints. This 'hands-off' approach to implementing the VTG led to a budget 'blow out' and resultant quality concerns that have prompted a funding review commissioned by the current Victorian Government on how to improve the quality, stability and sustainability of the Victorian training market<sup>3</sup>.

Being one of the last states or territories to introduce a student entitlement, New South Wales has adopted a much more cautious approach. The *Smart and Skilled* model introduced from January 2015 is characterised by no price contestability, qualification and provider caps and a significant reduction in the number of contracted registered training organisations. This approach has severely limited the capacity for innovative approaches that can best respond to the needs of students and industry. The capacity to respond to the needs of students is a key factor in student choice.

While this cautious approach with a priority on budget neutrality and TAFE viability is perhaps understandable, the New South Wales Auditor-General has concluded that a more balanced approach that has greater emphasis on contestability and student choice is more likely to maximise the public value of the government's investment in VET<sup>4</sup>. The failure to more fully embrace contestable programs has been to the detriment of the state's students, business and industry.

The varying approaches of states and territories over recent years has led to some concerns with the contestability reforms and associated quality concerns. Issues with the Australian Government's *VET FEE-HELP*, where once again a 'hands-off' approach (until recently at least) has led to some poor program outcomes, have fuelled these concerns. ACPET has been critical of those instances of poor governance (and provider performance) and advocated a number of strong regulatory measures to protect the integrity and quality of the sector<sup>5</sup>.

It is clear that at the heart of a number of these concerns are flawed program purchasing strategies combined with inadequate departmental resources and capability to monitor and manage them. This

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<sup>1</sup> Council of Australian Governments (COAG), National Partnership Agreement on Skills Reform, 2012

<sup>2</sup> Noonan, P and Pilcher, S, Financing tertiary education in Australia – the reform imperative and rethinking student entitlements, Issues Paper, Mitchell Institute for Health and Education Policy, February 2015, p8

<sup>3</sup> Mackenzie B and Coulson, N, VET Funding Review Issues Paper, Victorian Government, July 2015, p10

<sup>4</sup> Audit Office of New South Wales, Vocational Education and Training Reform - Department of Education and Communities, Performance Audit, January 2015, p3

<sup>5</sup> ACPET, Senate Inquiry into the operation, regulation and funding of private vocational education and training (VET) providers in Australia, Submission, February 2015, p14

was highlighted in the recent review of quality assurance in Victoria that found insufficient attention to quality in assessing contractual arrangements and inadequate resources to manage a systemic quality regime. The report's conclusion was the need for a "new, crucial and more active role in assuring quality"<sup>6</sup>. Importantly, while the review indicated the importance of exercising greater (departmental) choice in contracting training providers, it highlighted the need to value student choice, contestability and innovation<sup>7</sup>.

The New South Wales Auditor-General, in the report on the implementation arrangements for *Smart and Skilled* recommended expediting arrangements to ensure there is a capability to monitor and regulate training, protect students and ensure value for money<sup>8</sup>.

The Harper Review of competition policy completed for the Australian Government earlier this year gave considerable attention to the delivery of human services through contestable strategies. The review outlined the potential benefits of competition in human services including lower prices, greater efficiency in service provision, greater innovation and improved customer choice. Reflecting the need for a more nuanced approach to human services procurement than competitive tendering, where there may be an emphasis on price at the expense of other factors like fairness and responsiveness, the review indicated the importance of a focus on outcomes. Hand in hand with this outcomes focus, it highlighted the need for targets and benchmarks for service providers based on these outcomes and that service providers face credible threats of replacement for poor performance.

A strong message was that governments have a key role as stewards in the delivery of human services – they cannot distance themselves from the quality of services delivered. This stewardship role includes policy design, funding, regulation and provision. This focus on stewardship is particularly relevant given the recent concerns with some VET programs, as highlighted above, where it could be argued government stewardship has been lacking or inadequate.

In recommending the adoption of greater choice and competition the review advocated some guiding principles that include:

- User choice should be placed at the heart of service delivery
- Government should retain a stewardship function, separating the interests of policy (and funding), regulation and service delivery
- Governments commissioning human services should do so carefully, with a clear focus on outcomes
- A diversity of providers should be encouraged, while taking care not to crowd out community and volunteer services
- Innovation in service provision should be stimulated, while ensuring minimum standards of quality and access in human services<sup>9</sup>

These principles provide a solid framework for understanding some of the concerns with *Smart and Skilled* and for considering future arrangements for the delivery of VET in New South Wales.

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<sup>6</sup> Deloitte Touche Tohmatsu, Review of the Quality Assurance in Victoria's VET System, Department of Education and Training (Victoria), May 2015, p8

<sup>7</sup> Ibid, p9

<sup>8</sup> Audit Office of New South Wales, p29

<sup>9</sup> Harper I, et al, Competition Policy Review - Final Report, Commonwealth of Australia, March 2015, p254

## Response to Terms of Reference

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- (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**

There has been considerable research over many years that has sought to identify the factors influencing student choice about entering VET. A detailed National Centre for Vocational Education Research (NCVER) study that considered the broad range of factors influencing choice in VET highlighted a multitude of factors, and the interplay between them, influencing student choice. This research found that work experience or employment were the main factors influencing student choice followed, in order, by parental or guardian influence, performance in school subjects, marketing materials, study experience, friends and employers<sup>10</sup>. To some extent this is not surprising given the strong link between VET and industry.

This research also highlighted the important role of personal aspiration in the choice of program and the disconnect with a system that often has a primary focus on responding to the needs of industry. In relation to the choice of institution, it highlighted factors such as the course offerings, convenience issues such as proximity to home, affordability and the reputation of the institution and its qualifications.

The importance of quality information in informing student choice was also highlighted in this research as a key factor in ensuring informed student choice. The research highlighted the need for comprehensive and multi-dimensional approaches to informing choice that includes structured career advice.

The fundamental importance of quality information to support student choice is highlighted by the Australian Government's continuing efforts to enhance the *MySkills* web site, with further enhancements made in recent months.

The conclusions of the NCVER research were for:

- Greater program flexibility that gives recognition to the aspirations of students
- Improving the status of VET
- A diversity of providers to promote and test value for money and quality and a culture of deliberate attention to individual student needs
- Better information to support informed decision-making and career development.

A diverse network of public and private providers able to respond flexibly to the often-complex needs and aspirations of students, and supported by quality information and advice, is a fundamental element in supporting more students to choose a VET qualification.

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<sup>10</sup> Maxwell G, Cooper M and Biggs N, How people choose vocational education and training programs, NCVER, 2000, P72

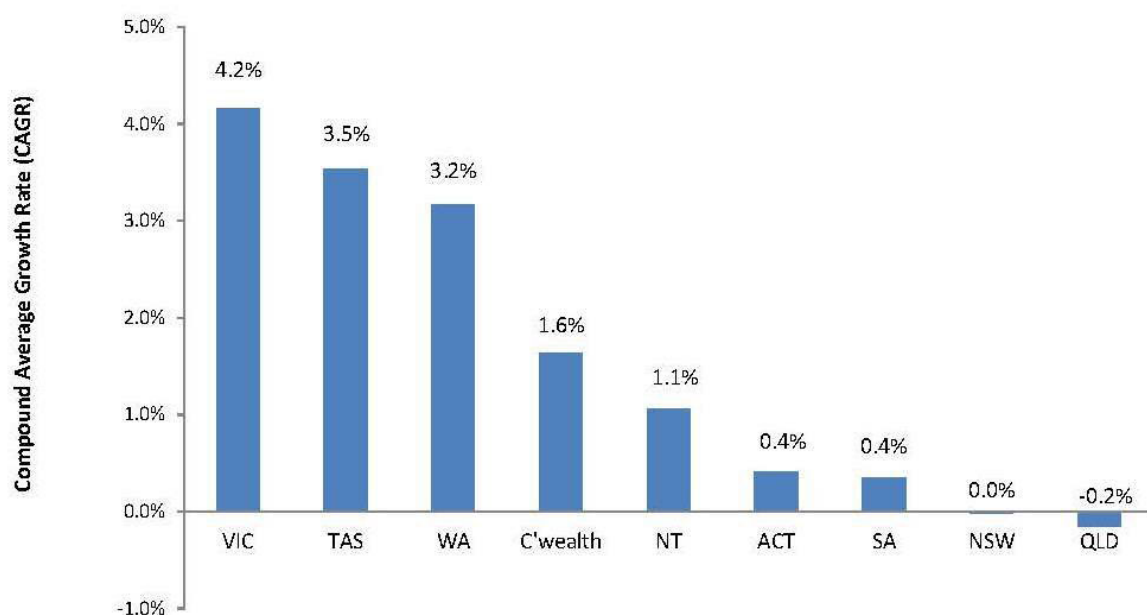
- (b) The role played by public and private vocational education providers and industry in:
- (i) educational linkages with secondary and higher education
  - (ii) the development of skills in the New South Wales economy
  - (iii) the development of opportunities for unemployed people, particularly migrants 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

While the New South Wales Government's efforts to introduce greater contestability through the *Smart and Skilled* initiative have been prominent in recent times, private and public providers have played an important role in the delivery of VET in the state and nationally for many years. Apprenticeship and traineeship training has been delivered successfully through the user choice funding model by a large number of public and private providers in most states and territories for nearly two decades.

The latest national data indicates that some 1.79 million students were enrolled in government-funded programs nationally in 2014 with 60% attending TAFE and other government providers and around a third enrolled with other (private) registered training organisations. This training was delivered by 71 TAFE and other government providers, 426 community education providers and 1,641 other providers. In New South Wales 560,400 students were enrolled with 12 TAFE and other government providers, 38 community education providers and 472 other providers<sup>11</sup>.

While private providers are an integral part of the training provider network in New South Wales, they receive the lowest proportion of government VET funding of any state or territory<sup>12</sup>. The great bulk of this is contestable funding for user choice apprenticeship and traineeship training. It is also worth noting, as highlighted by the New South Wales Auditor-General, that funding in the state has not increased in the last decade<sup>13</sup>.

**Growth in VET expenditure 2003-4 to 2012-13**



<sup>11</sup> NCVET (A), Government-funded students and courses 2014, p16

<sup>12</sup> ACPET, p10

<sup>13</sup> Audit Office of New South Wales, p11



In terms of overall enrolment trends the picture nationally, as well as in New South Wales, over the last decade or so is one of growth and decline in enrolments as apprenticeship numbers, in particular, have ‘tracked’ the economic cycle and the impact of the resources boom. However, the 20% plus drop from 2013 to 2014 in apprenticeship and traineeship commencements nationally, and in New South Wales, is a particular cause for concern<sup>14</sup>.

Although the ongoing impact of the restructuring of the economy following the mining boom (including unfavourable currency movements) continues to impact apprenticeship numbers in sectors including manufacturing and engineering, the drop in non-trade commencements reflects the broader economic circumstances (including relatively high levels of unemployment) and decisions by governments to prioritise funding (incentives, user choice) away from traineeships. ACPET believes these government policy and funding decisions need to be reviewed as a matter of priority.

While there are some views that students and employers are dissatisfied with the training provided and quality is declining as a result of recent VET reforms, survey data indicates a very high level of satisfaction. NCVER 2014 student data indicates that 88.9 % of graduates in New South Wales are satisfied with the overall quality of training, compared to 87.6% nationally<sup>15</sup>. These high levels of satisfaction have been maintained over the last decade.

For employers, the most recent NCVER data (2013) indicates those in New South Wales have similar engagement with the accredited training system as those nationally (52.9% compared to 51.9%). Nationally, employer satisfaction levels over the period from 2005 have risen and fallen in line with their use of the accredited VET system, which itself broadly tracks economic circumstances<sup>16</sup>.

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>17</sup>.

**(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**

The growth in contestability in VET over the last 20 years, accompanied by the increase in number and diversity of providers, has had a marked impact on the affordability and accessibility of VET as private providers have brought new approaches and flexibilities to the market. The reasons for the greater efficiency (and flexibility) of private provision was highlighted by Peter Noonan, Professional Fellow at Victoria University in an article in *The Conversation* in August 2014 that considered the competitive fees of private VET providers in the context of the loss of market share experienced by TAFE in a contestable market:

*“In any new market existing long-standing providers often lose market share to new providers who are able to pick and choose what areas of the market they wish to enter and design their business models around the new rather than the old system. Private providers have more flexible and lower-cost delivery models - many with minimal infrastructure and facilities and high levels of casual and contract staff.”*

Put simply, new delivery strategies that harness technology and adopt greater flexibility in regard to facilities and staffing are underpinning private provider efficiencies that are enabling more affordable and accessible VET without compromising quality or outcomes. High cost does not necessarily equal

<sup>14</sup> NCVER (B), Apprentices and trainees 2014, p6

<sup>15</sup> NCVER (C), Student Outcomes 2014, Table 7

<sup>16</sup> NCVER (D), Employers’ use and views of the VET system 2013, p8

<sup>17</sup> *ibid*, p15

quality nor does low cost necessarily mean lack of quality.

It was noted above that New South Wales has the lowest proportion of contestable VET funding of any state and territory. ACPET analysis indicates this approach has had a significant adverse impact on the cost of delivering VET services. In 2013, for example, \$2.02 billion in TAFE operating expenses delivered training to 438,000 students. This equates to \$4,585 per student. By contrast, \$95.7 million for non-TAFE providers in 2013 trained 137,700 students (including 43,400 community education students). This equates to a cost of only \$695 per student, some \$3,890 less per student or only 15 per cent of the cost of the TAFE equivalent<sup>18</sup>. Private providers delivered training to some 23% of students with around 5% of funding.

Given the level of non-TAFE funding in 2013 has halved from that of 2011 (\$186 million) there has been a major loss in the capacity to provide more affordable and accessible vocational education and training in New South Wales.

The reluctance to allocate more funds to contestable programs has not only limited the capacity to assist more students but also produced no benefits in terms of the student and industry outcomes.

**(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**

The Harper Review of competition policy outlines the potential benefits of contestable markets including lower prices, greater efficiency in service provision, greater innovation and improved customer choice. The data above clearly articulates the benefits to New South Wales in terms of lower prices and improved efficiency. It is clear, also, that there are significant benefits of greater student choice in terms of access for those disadvantaged in the labour market, levels of satisfaction for students and business and industry and employment outcomes achieved.

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. In New South Wales, 472 private providers delivered government-funded training in 2014. 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. If a competitive training market was more fully embraced with a greater proportion of funds contestable, many more students could access education training skills and a pathway to employment.

Students are very satisfied with the training delivered through competitive programs by private providers - satisfaction levels are on par with that delivered by TAFE - and they achieve better employment outcomes. The 2014 NCVER student outcome survey indicates that those receiving training through government-funded private providers were more likely to be employed after training compared to TAFE graduates (79% vs. 74%). Of those not employed before training, a lower proportion of

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<sup>18</sup> ACPET estimates based on NCVER Australian Vocational Education and Training Statistics: financial information 2013 and NCVER, Students and Courses, publicly funded training providers 2013 data.

government-funded TAFE graduates were employed after training compared to those from private providers, at 42.3% and 47.2% respectively in 2014<sup>19</sup>.

An indication of the effect of competitive markets on access by disadvantaged groups is provided by enrolments in the *Victorian Training Guarantee*. The current funding review has found that enrolments of persons with a disability, unemployed persons and those from culturally and linguistically diverse background experienced enrolment growth greater than that overall, while those aged 15-19 years and indigenous persons experienced enrolment growth more in line with overall trends<sup>20</sup>. The review notes that complex eligibility criteria and funding changes impacted participation by some student cohorts.

Well-designed and managed competitive training markets can significantly boost the participation by disadvantaged students - provided the eligibility criteria are appropriate.

**(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**

As noted earlier, industry participation in the VET sector has 'tracked' the economic cycle and especially in relation to trade apprenticeships. The number of apprenticeship commencements reached ten-year highs towards the end of the last decade and declined thereafter. The close alignment of the apprenticeship model to the economic circumstances is both a strength and weakness with the ongoing challenge being the development of counter-cyclical trade training strategies that can support greater industry participation in VET.

There has also been a significant drop in non-trade training over the period 2013-14. While economic and business circumstances are no doubt contributing to this situation, the cuts in funding for traineeships as governments have sought to contain VET budgets are having an impact. ACPET believes the drop in apprenticeship and traineeship commencements and the 6.3% drop in 15-19 year olds undertaking government-funded training nationally from 2013 to 2014 are testament to the impact of these decisions. State and federal governments need to review these decisions and boost funding that provides VET pathways to work for young people in particular.

While there has been some drop-off in employer satisfaction with nationally recognised training (which is competency-based) over the two years from 2011 to 2013 (from 89.2% to 83.1%), over the period from 2005 to 2013 there has been a slight increase in employer satisfaction<sup>21</sup>.

While there has been some criticism that training packages do not meet industry demand, they do enable the flexibility for providers to tailor delivery resources and strategies to the needs of students and industry alike. It is also important to acknowledge that while VET training is closely aligned to the needs of the workforce only some 40% of graduates work in the field of their study. The portability and flexibility of VET qualifications, therefore, is important in maximising ongoing employment opportunities and responding to changing workforce needs.

At the same time ACPET acknowledges that training packages do not (and cannot) meet all the skill needs of the workforce or students. Many ACPET members have developed and deliver accredited courses that respond to niche labour market, student and employer needs. They are integral to a flexible, responsive VET sector.

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<sup>19</sup> NCVER, Submission to the Inquiry into the operation, regulation and funding of private education and training (VET) providers in Australia, 2015, p3

<sup>20</sup> Mackenzie B and Coulson, N, p12

<sup>21</sup> NCVER (D), p8

ACPET supports the retention of national training packages based on competency-based training with the availability of accredited training courses to respond to the needs of industry and learners that cannot be addressed by national training packages. It is fundamental that the training (training packages and courses) is accredited to support labour market mobility and the development of skill pathways.

**(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**

The *Smart and Skilled* initiative is the New South Wales Government's model for the implementation of a Certificate III student entitlement, as required under the NPASR. As the state's Auditor-General has concluded *Smart and Skilled* has put the priority on budget neutrality and TAFE viability at the expense of student choice and greater contestability to the detriment of the return for the public investment. The Auditor-General has also found that the model is unlikely to support the Government's goal of increasing the proportion of the working-age population with a Certificate III qualification by 50% by 2020<sup>22</sup>.

While the Auditor-General's report did not cover the awarding of contracts this element of the program that has caused great concern for ACPET members. ACPET received daily complaints from member colleges in the weeks following the awarding of contracts by State Training Services (STS). To address the volume of dissatisfaction, ACPET organised a member forum in December 2014 to which it invited STS to outline the program evaluation methodology and outcomes, respond to pre-submitted questions and hear first-hand the implications of its tender decisions.

Examples were shared of contracts being offered that would fund as few as 1½ enrolments; contract offers where delivery costs would exceed revenue; industry now needing to enroll employees with multiple providers - and anger of needing to do so - because of small contract sizes; increased management burden; reputational damage that despite having met STS quality criteria, the non-awarding of a contract led third parties to question the standard of the RTO; and the inconsistency of evaluation against assessment criteria where identical responses for different regions received different grading.

The following member comments that have been forwarded to ACPET further highlight some of these issues:

*This (the Smart and Skilled funding decision) also comes at a time when the Productivity Commission has handed their report into Childhood and Early Childhood Learning to the Treasurer, the Hon Joe Hockey MP on Friday 31 October 2014, and when the National Quality Framework (NQF) requires more educators to work in the system, not less. In their draft recommendations the PC (Productivity Commission) is calling for a new Home Childcare sector with the educators required to be regulated under the NQF. There already exists a shortage of educators with around 180 educators, reportedly leaving the system weekly. This shortsighted measure by the State Government will limit the training opportunities for those wishing for a career as an Early Child Educator in NSW.*

*Why were we funded for qualifications that we have never had history of training in before through STS funding? Why were we funded in regions we have no clients in? Why were we funded so little money which makes it near impossible to market to employers? WHERE IS THE CONSUMER DRIVEN MODEL HERE???*

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<sup>22</sup> Audit Office of New South Wales, p3

*Our business, like many other private RTO's, will now need to re-evaluate the financial viability of our NSW business. This will mean the loss of specialist skills being able to support NSW businesses which surely would not have been the outcome the NSW Government would have been expecting.*

*It was only when others brought it to my attention that people were being issued ridiculously low amounts I opened our contract and found we had been awarded just \$23,000 which would be lucky to train 2 apprentices. I have had to put off our trainer, cancel training for next year, and disappoint not only employers but those looking for training.*

*Many private RTOs who had strong relationships with industry were either not given contracts or were given severely reduced contracts. Employers have complained that they can no longer use "Preferred Providers" because they don't have places or don't have the number of places they need in the right places and don't want to use TAFE.*

ACPET is also concerned at the lack of transparency around the contract allocation process and the outcomes to date. A long-standing ACPET member observed, *"The biggest problem with Smart and Skilled is the complete lack of transparency"*. Good information and data are critical to the functioning of *Smart and Skilled* (and any contestable market) and more importantly in identifying opportunities for improvement.

In summary, the contracting arrangements have mismanaged the allocation of training places and excluded some markets altogether (e.g. foundation skills). It has resulted in large increases in student contributions for some programs, the halving of the number of registered training organisations delivering government-funded training compared to previous arrangements. ACPET members have reported the misalignment of provider capacity and contract locations, contract caps that make delivery not viable and contracts not being awarded to high-quality providers with strong long-standing industry links.

This flawed approach to allocating training places, including by region, has led to a very slow take-up of training places. If not remedied, it is likely to cause significant long-term damage for students, industry and providers.

ACPET applauds the New South Wales Government's decision to review *Smart and Skilled* and looks forward to contributing the expertise, knowledge and experience of its members across the state. ACPET recommends that the *Smart and Skilled* Reference Group be fully engaged in the review process and that the State Training Board be resourced to provide effective oversight of *Smart and Skilled*, including ongoing engagement with providers and other key stakeholders.

As with the issues identified in some other states, the core concerns relate to flaws in purchasing strategy and implementation and not with the greater choice and contestability that can provide real benefits for students and industry in New South Wales.

It is clear, however, that the way forward should include a greater engagement and transparency with providers (and other stakeholders) in New South Wales to develop a contestable model that maximises these benefits and the return for the state's investment.

**g) any other related matter.**

Nil