

Australian Institute of Building Submission to the

IPART Review of Pricing VET under Smart and Skilled

Introduction

The Australian Institute of Building (AIB) welcomes the opportunity to respond to the *IPART Review of Pricing VET under Smart and Skilled*. The AIB is keen to see more efficient and thorough VET education for the construction industry, and welcomes this review.

Vision

The vision of the AIB in regards to this review is to ensure that:

- The building sector in NSW is improved through higher educational standards and appropriate regulation; and
- The building industry is a viable and growing sector for the benefit of the state, consumers and builders.

Draft Recommendations in the report

The draft recommendations in the report will be commented upon in order:

1 Base prices should reflect the 'efficient' costs an RTO will incur in providing training that meets the 'required quality standard' to a 'standard' student including:

- teacher costs
- course-specific costs (such as facilities, equipment and teaching supplies)
- recurrent costs (such as administrative staff, utilities)
- capital costs (captured through a margin on operating costs).

AIB agrees with the above. A series of private RTOs have been established by a series of individuals with no experience in their building profession (a list can be supplied) as required by the construction training package for the Cert IV, diploma and advanced diploma in building. Building professionals are required to train and assess in all these levels of qualifications and these private RTOs, because ASQA does not have the resources to audit for training package compliance, are effectively undercutting legitimate RTOs such as the MBA and TAFE. A building professional is normally degree-qualified with several years practical building experience in senior management and technical roles, or alternatively have high level TVET qualifications and decades of experience in senior management positions. We are seeing cost structures in 'fly-by-night' operations that reflect the unfortunate reality of individuals completing a Cert IV in

building, not for the purpose of practicing building, but to open a sub-standard lost-cost RTO instead.

2 The base price for each course and qualification on the skills list should be established by applying a variable cost (\$/nominal hour) that reflects costs driven by the combination of units of competencies (UoCs) the qualification involves, and a fixed cost component (\$/enrolment) that reflects costs driven by the level of the qualification. The base prices should be established by:

- applying the relevant variable cost (\$/nominal hour) for each UoC it involves to the nationally agreed nominal hours for delivering that UoC**
- summing these amounts to derive the total variable cost, and**
- adding the relevant fixed cost (\$/enrolment).**

AIB does not agree with the above. Various RTOs such as those referred to above offering assessment only pathways so in effect legitimate RTOs which training as well as assessment are subsidising the profits of these 'low cost' RTOs.

3 For the purpose of establishing the total variable cost to be included in the base price:

- UoCs should be categorised into 25 different industry groups based on their cost drivers**
- the variable cost of 'standard' UoCs in each of these industry groups should be estimated**
- the variable cost of 'high cost' UoCs in 10 of these industry groups should also be estimated. This cost should include a premium of between 10% and around 35% on top of the cost for a 'standard' UoC in the same industry group**
- the estimated variable costs shown in Table 4.1 should apply from 2014/15**
- the combination of UoCs involved in the course or qualification should be assumed to be a typical combination of UoCs for that course or qualification, at least in the first few years of Smart and Skilled.**

AIB agrees with the above, but varying costs of the method of delivery should also be taken into account to avoid the subsidisation the profits of assessment only RTOs.

4 For the purpose of establishing the fixed cost to be included in the base price:

- courses and qualifications should be categorised into 5 groups based on the typical amount of time taken to complete them**
- the fixed cost of this amount of training time should be estimated**
- the estimated fixed costs shown in Table 4.2 should apply from 2014/15**
- 5 different fixed costs (\$/enrolment) that apply to different qualifications levels. These should range from \$500 per enrolment (for Foundation skills courses other than Certificate 1) to \$4,400 per enrolment (for Diplomas and Advanced Diplomas).**

AIB comments to recommendation 3 also apply here.

5 Base prices should not vary with the mode of delivery.

Base should vary with the mode of delivery. Given that some RTOs offer only assessment only pathways as noted above, and which have proven record of ignoring the Training Package (CPC) requirement. All this will do is handicap quality training providers at the expense of sub-standard RTOs.

6 The Department of Education and Communities (DEC) should collect information on the combinations of UoCs RTOs offer for each course and qualification, to assess how these differ from the typical combination of UoCs and whether the differences warrant making changes to the approach for establishing the variable cost component of base prices.

This may be true for Cert I to Cert III courses (AQF Level 1 to 3), but with regard to AQF Levels 4, 5, 6, 7 and 8 (and above paraprofessional and professional courses) the DEC should rely on the expertise of the relevant professional institution, or work closely and formally with the same.

7 DEC should collect information on the UoCs and actual hours of training RTOs deliver per course and qualification, to ensure the base prices remain cost-reflective and identify where RTOs may be compromising the quality of training they deliver and further investigation may be warranted.

See earlier comments above.

8 The following loadings should be added to the base price to reflect the additional costs associated with higher cost learners:

- location loading – 10% for students located in regional areas; 20% for students located in remote areas**
- needs loading – 10% for students who are Aboriginal or Torres Strait Islander, have a disability, or are long-term unemployed.**

AIB agrees with the above, but with regards to distance or location loading this should not be applicable where the learning is undertaken online, i.e. there should be a physical presence of the trainer and assessor at the location of the student for this loading to apply.

9 A provider should be able to claim a maximum of 1 location loading and 1 needs loading per student.

AIB agrees with the above, but please see earlier comments.

10 For the purposes of directing CSOs:

- a market should be defined in terms of the location of the training, industry category of the training and any specific student needs to be serviced 58**
- a thin market should be defined as a market that is too costly to supply for the available base price and loadings.**

AIB agrees with the above.

11 The Government should specifically identify the thin markets for which it wants to provide CSOs. The supply of these markets should be negotiated with TAFE and ACE during the first several years of Smart and Skilled, and then put to competitive tender.

11. The professional institutions must be involved in this process in this initial evaluation for AQF Level 4 and above.

12 In thin markets where the Government does not provide CSOs and RTOs, offer courses and qualifications on the skills list for the full commercial price, students should be entitled to the government subsidy and any loadings they would receive if they undertook the same training in a robust market.

AIB has no issue with the above.

13 Students undertaking their first post-school VET qualification should pay, at most, 40% of base prices in fees, with the remainder (60%) paid through Government subsidies.

Yes and must apply to AQF Levels 4, 5, 6 and 7 qualifications because in building profession all of these are seen as entry level to our industry.

14 Students undertaking a subsequent VET qualification should pay, at most, 45% of base prices in fees, with the remainder (55%) paid through government subsidies.

AIB agrees with the above where people are undertaking a second or higher TVET qualification – see earlier answers.

15 The approach to sharing the costs of part qualifications between student fees and government subsidy should be the same as the approach to sharing base prices for full qualifications.

AIB agrees with the above.

16 Students undertaking Foundation Skills courses should pay 10% of base prices in fees, with the remainder (90%) paid through government subsidies.

AIB agrees with the above, but please note AQF Levels 4 and 5 qualifications are foundation studies for the building profession.

17 Student fees should be specified as the maximum fees RTOs can charge, so they are able to charge lower fees if they choose.

AIB agrees with the above.

18 In principle, the fee arrangements for apprentices and new entrant trainees should be consistent with those for other students.

Please note that AQF Levels 4 and 5 level qualifications are regarded as apprenticeship level qualifications by the building profession (as opposed to AQF Level 3 qualifications for trade occupations).

19 In practice, apprentice and new entrant trainee fees should transition towards levels consistent with those for other students to reduce impacts on students and industry:

- during the first year of Smart and Skilled, fees for apprentices and new entrant trainees should be capped at \$3,000 per qualification.
- in the subsequent years this cap would be increased by \$1,000 per year until all apprentice and new entrant trainee fees reach the targeted percentage of the base price.

AIB agrees with the above, but note above comment about AQF 4 and 5 Level qualifications, being regarded as apprenticeship level qualifications for the building profession.

20 Concession fees should vary by qualification level, in recognition of the higher average number of hours of training involved in higher level qualifications, and the higher private returns for higher qualifications.

AIB does not agree with the second comment. This is only applicable to AQF Level qualifications 7 and above. It is totally false to assume that a Diploma or Cert IV graduate will earn more than a tradesperson with a Cert III qualification given the nature of individual subcontractors in the building industry. This is how the building industry is different from other occupations.

21 From 2014/15, the following concession fees should apply:

- Foundation courses – either \$100 per course or the standard fee, whichever is lower.
- Certificates I and II – \$200 per qualification.
- Certificates III and IV – \$400 per qualification.
- Diploma and Advanced Diploma – \$500 per qualification.

AIB has no issue with the above.

22 DEC should publish information about individual RTO performance to help students and employers assess potential providers' quality before making training decisions.

AIB agrees with the above, by the relevant professional institution should be involved in this process where RTOs offer qualifications of AQF level 4 or above.

23 RTOs should publish information on any personal costs a student will incur in studying a qualification.

AIB agrees with the above.

24 The timing of government and student payments to RTOs should be staged so an RTO's receipt of revenues matches its incurrence of costs.

AIB agrees with the above.

25 RTOs should have discretion over the timing of student fee payments, but should be required to publish information on this timing.

AIB agrees with the above.

26 To ensure base prices and student fees continue to reflect efficient costs and an appropriate sharing of costs between students and the Government, the following arrangements should be put in place:

- Base prices and student fees should be adjusted by the average change in CPI (All groups Sydney) in the previous year, on 1 January of each year.**
- The adjusted base prices and student fees for each year should apply to students who are new enrolments in that year. Existing enrolments should continue to be supplied for the prices and fees that applied when they first enrolled.**
- The first major review to reset base prices and student fees should be conducted prior to the price change on 1 January 2018. After that, a review to reset prices should be conducted every 3 years.**

AIB agrees with the above.

27 Regulation of the student fee component should be relaxed progressively, in line with the following arrangements:

- From the start of Smart and Skilled, student fees should be specified as maximum fees (as per Draft recommendation 17).**
- During the first years of Smart and Skilled, DEC should provide information to students and employers (as per Draft recommendation 22) and to training providers to improve the contestability of the NSW VET market. Information for training providers should include the number of students enrolled in each qualification by region, the number of students receiving loadings and concessions by region.**
- After the first major review to reset prices, a review should be conducted to determine if and how fee regulation should be further relaxed or removed, and any new arrangements resulting from this review should apply from 1 January 2019.**

AIB disagrees with the above, as government should maintain control to ensure that the proliferation of sub-standard RTOs does not occur.

IPART seeks comments on the following

1 Whether the payment of student fees and the government subsidy for any units accredited as Recognition of Prior Learning (RPL) should be set at 50%.

AIB has no issues with the above.

Further Information

For further information, please contact the AIB President or Policy & Advocacy Manager by emailing robert.whittaker@aib.or.au or policy@aib.org.au

Appendix 1

About the AIB

Founded in 1951, the AIB is the peak body for building and construction professionals, acknowledged for its ability to bring individuals together who share a common interest in improving the standing of the building profession and their career within Australia and overseas.

The AIB is incorporated by Royal Charter and is the pre-eminent professional body for building professionals in Australia and the Asia-Pacific region.

Recognised as the accrediting body for building and construction degrees at educational institutions, the AIB has a long and proud history of supporting and servicing the building profession. For more than sixty years, the Institute has worked with the building and construction industry, government, universities and allied stakeholders to promote the building profession, support the development of university courses in building and construction whilst promoting the use of innovative building techniques and a best-practice regulatory environment.

AIB is proud of its role in promoting the exchange of information amongst individuals and accomplishes this through publications including the *Construct* magazine and the Australasian Journal of Construction Economics & Building (AJCEB).

The AIB also has an extensive continuing professional development program in Australia and overseas and facilitates the annual AIB Professional Excellence in Building Awards Program.

For further information please go to www.aib.org.au