

1 February 2019

Sen. Hon. Zed Seselja
Assistant Minister for Treasury and Finance
PO Box 6100 – The Senate
Parliament House
CANBERRA ACT 2600

Dear Minister

RE: ACPET FY2019-20 Australian Government Pre-Budget Submission

The Australian Council for Private Education and Training (ACPET) is the peak national body representing independent providers in the higher education plus vocational education and training (VET) sectors. ACPET tenders this submission in response to the Australian's Government's invitation to provide advice on funding priorities for the FY2019-20 Australian Government budget.

At a broader level, ACPET welcomes the Australian Government's strong commitment to budget sustainability that will see surpluses over the budget cycle of a sufficient size to retire public sector debt. In this context, ACPET makes recommendations concerning funding for the Vocational Education and Training (VET) system that will assist the Australian Government deliver quality policy outcomes whilst achieving meaningful cost savings.

VET Funding Background —

The independent sector emerged because of inadequate public supply for training places and higher demand for skills in the early 1990s. Following a series of public policy reforms, the independent sector started to deliver publicly funded training through state and territory government's contestable funding sources such as User Choice. Over time these funding methods have increasingly allowed individuals and businesses to access government funding using a provider (either from the independent sector or public TAFE colleges) of their choice.

Current Funding Disparity —

In 2017, just 27.7 per cent of the \$2.1 billion of government funding invested into VET was awarded to non-TAFEs, which represents a reduction of 7.1 per cent on FY2015-16 figures (Productivity Commission).

In a training system where 60 per cent of students choose to study with an independent provider, there is clearly a mismatch in funding support to students.

Indeed, over half of VET student enrolments do not receive any public funding, which demonstrates that individuals see value in the system that supports life-long skill attainment closely aligned to vocational opportunities.

A reduction in funding to independent providers is expected to continue with state governments announcing free TAFE training places for apprenticeships from 2019 in priority courses. These announcements come at the expense of many students who seek to enrol with an independent provider for their training needs.

A Contestable Funding Model —

A well-designed entitlement model does not promote one provider sector over another nor does it enable government policy to support one system over another. Entitlement models increase participation of students, businesses, providers and governments in the national training system.

The tertiary education system (encompassing both VET and higher education providers) is in a policy situation whereby higher education providers are funded by the Commonwealth through a demand driven system and VET providers are funded through state and territory government supply models which has led to an uneven playing field within the tertiary education.

The current arrangements for government funding in VET have developed over many years, and not always on a rational basis. Similarly, the arrangements adopted by states and territories reflect historical considerations and often crude approaches to manage or rein-in VET expenditures.

Recommendations —

- That from the FY2019-20 budget, the Australian Government implements a fully contestable demand driven funding model for vocational education and training that supports student choice in selecting their training provider.
- That from the FY2019-20 budget, the Australian Government commits to a nationally consistent policy, program and funding settings to provide certainty to the VET system.

It is important that the benefits of an open training market that have been developed over decades are not lost. The priority for government should remain enabling students to utilise public funds with high quality providers, regardless of ownership but with suitable quality controls, by harnessing market forces to achieve the best possible outcomes in the most effective and efficient way.

ACPET looks forward to working with the Australian Government to achieve a funding model for the VET system that, within the context of a sustainable budget framework, delivers students and business with the skills needed to support a growing economy.

Yours faithfully



Troy R Williams FIML MAICD
Chief Executive Officer