

NTEU Submission to
Legislative Assembly of the Northern Territory
Economic Policy Scrutiny Committee
Inquiry into
Training and Skills Development Amendment Bill 2018: Serial No.59

Economic Policy Scrutiny Committee

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Introduction

The National Tertiary Education Union represents (NTEU) the industrial interest of staff working in Australian higher education and research institutions including having members at Charles Darwin University (CDU) and Batchelor Institute of Indigenous Education (BIITE) both of which are dual sector institutions offering both higher education and vocational education and training (VET) qualifications. CDU and BIITE essentially constitute the only two substantial public TAFE providers in the Territory.

Proposed Amendments

According to the Explanatory Statement the *Training and Skills Development Amendment Bill 2018. Serial No.59* abolishes the Northern Territory Training Commission (the Commission) and removes all references to the Commission from the Northern Territory *Training and Skills Development Act*.

NTEU Recommendations

While the NTEU has concerns about the lack of public provider or staff or student representation on the current Commission, we are highly reluctant to agree to its abolition without a clearer understanding of what formal consultative or advisory bodies will be established to replace it.

The NTEU's long term position has been for the establishment of a national independent tertiary education council with statutory planning and funding responsibilities. Such a council would not only recognise the distinctive roles of higher education and VET but also distinguish between the roles and responsibilities of public universities and TAFE institutes and private for-profit providers. While the establishment of such a body clearly goes beyond

the scope of the current enquiry, the NTEU is recommending that any changes to existing Training and Skills Development Act at least reflect the spirit of such reforms.

Therefore the NTEU is advocating for the Northern Territory Training Commission to be reconstituted with the following amendments:

- 1) That in preparing, approving and submitting VET investment frameworks and VET investment plans the Commission also be required to explicitly take into account the impact of its investment framework and plans on the financial viability of public VET providers and their capacity to fulfil meet their (sometimes implicit) community service obligations including the need to offer relatively low demand but critical training courses, and
- 2) That the criteria for being a member of the Commission be widened to include people representing the interests of public providers as well as staff and students.

The rationale for these recommendations is spelt out in more detail below.

Background

The establishment of the Northern Territory Training Commission in 2016 came about within a broader set of policy reforms to way in which vocational education and training was regulated and funded. These changes in turn were in the context of significant reforms to the national training system which had begun the 1990s and which involved the development of: 1) national frameworks for VET products; 2) national consistent standards for providers; and 3) the development of a national training market.

This broader suite of changes including those introduced into the Territory from 2014, included the introduction of the student entitlement model which entitled all eligible Territorians to a government subsidised place in a Certificate III or higher VET qualification with an approved private or public provider. The move to entitlement funding model retained a cap on the number of funded places. Nonetheless, these changes meant that government funded Certificate III and above VET places were now fully contestable between public providers (essentially CDU and BIITE) and approved private providers. The government contribution now followed the student and effectively became a training voucher.

Public funding of VET

The NTEU believes that education is far too important to left to the market. This belief not is driven by ideological dogma but on a thorough analysis that the impact of deregulation in tertiary education has had on vocational education and training. As outlined in some detail in evidence (refer to Attachments 1 and 2) provided to the Commonwealth House Standing

Committee 2013 Inquiry into the role of Technical and Further Education system and its operation, the introduction of student entitlement funding model for provision of VET in Victoria. In 2008 the Brumby government introduced a policy entitled *Securing Jobs for Your Future*. This policy framework opened government subsidies for VET courses to all approved private providers as well as public TAFE institutes. The consequences policy included:

- despite rapid growth in government funded VET places this growth did not always in areas of skills shortages or economic need,
- the share of government supported VET courses offered by public TAFE and dual sector universities in Victoria dropped from 66% in 2008 to 40% in 2012,
- a blow out in government expenditure which resulted in significant to public investment in 2012,
- half of Victoria's public TAFEs were in financial difficulty with The Age reporting that half had recorded operating losses in 2013,
- significant increases in student fees,
- the loss of at least 2,500 jobs in TAFE institutes, and
- the closure on many campuses (especially in regional areas) and cessation of many courses.

The analysis presented in the NTEU evidence also shows that private providers provision is very much concentrated in a few highly popular low cost provision areas. In essence the entitlement model allows private providers to cherry pick profitable courses and offer them in selected locations while leaving TAFE to supply high cost but essential training.

While the nature of reforms associated with Victoria failed policy experiment are not exactly the same as those being pursued in the Territory, there are nonetheless very worrying signs about the shift of student load from public providers to private providers and consequences this has on the financial viability of public VET provision in the Territory.

Figures 1 and 2 below show latest student and course data in relation to the number and share of government supported VET places offered in the NT by type of provider namely public providers (TAFE as per NVCER data), which we assume to be essential CDU and BIITE, and other providers which in this cases constitutes other registered (private) providers.

The data in Figure 1 shows that there has not only been a reduction in the actual number of students enrolling at public providers from peak of 14.5 thousand in 2014 to 11.8 thousand

in 2017, a fall of some 2.7 thousand or 18.4%. As a result, Figure 2 shows that the share of student educated by public providers fell from 68% in 2013 to 55% in 2017.

Figure 1

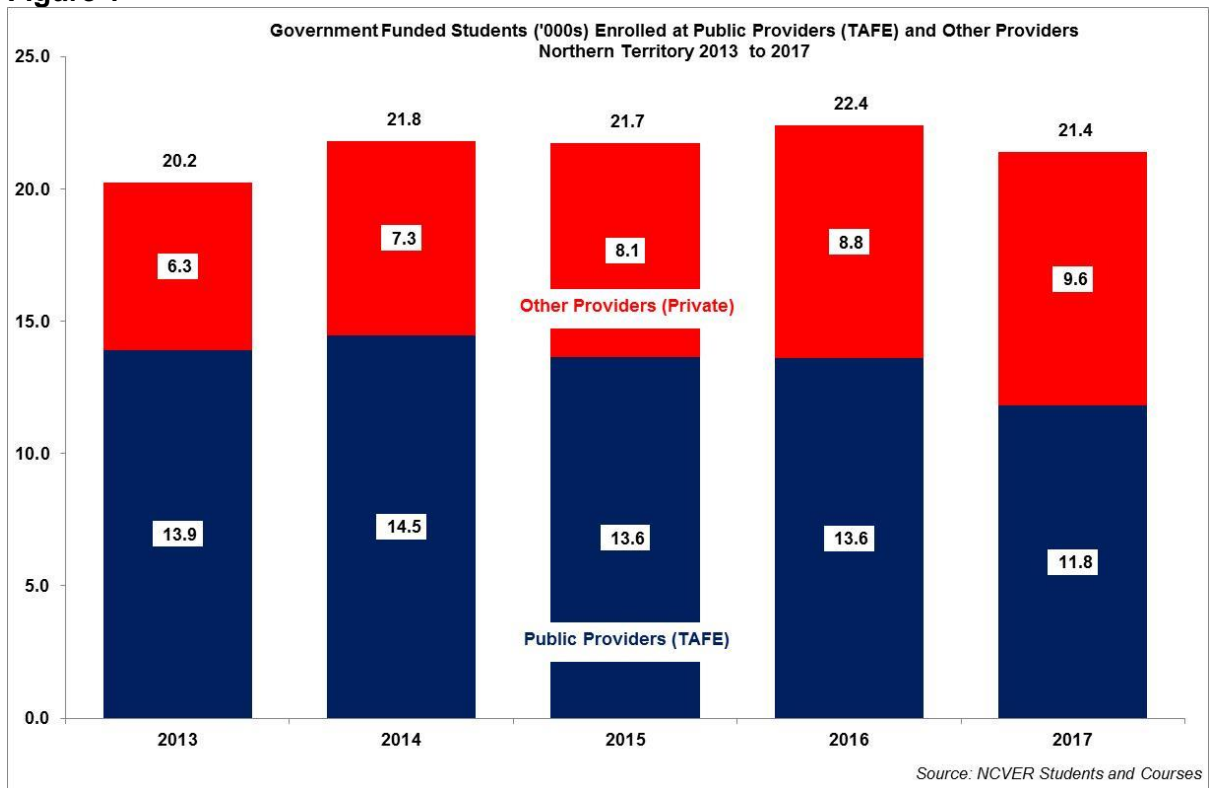
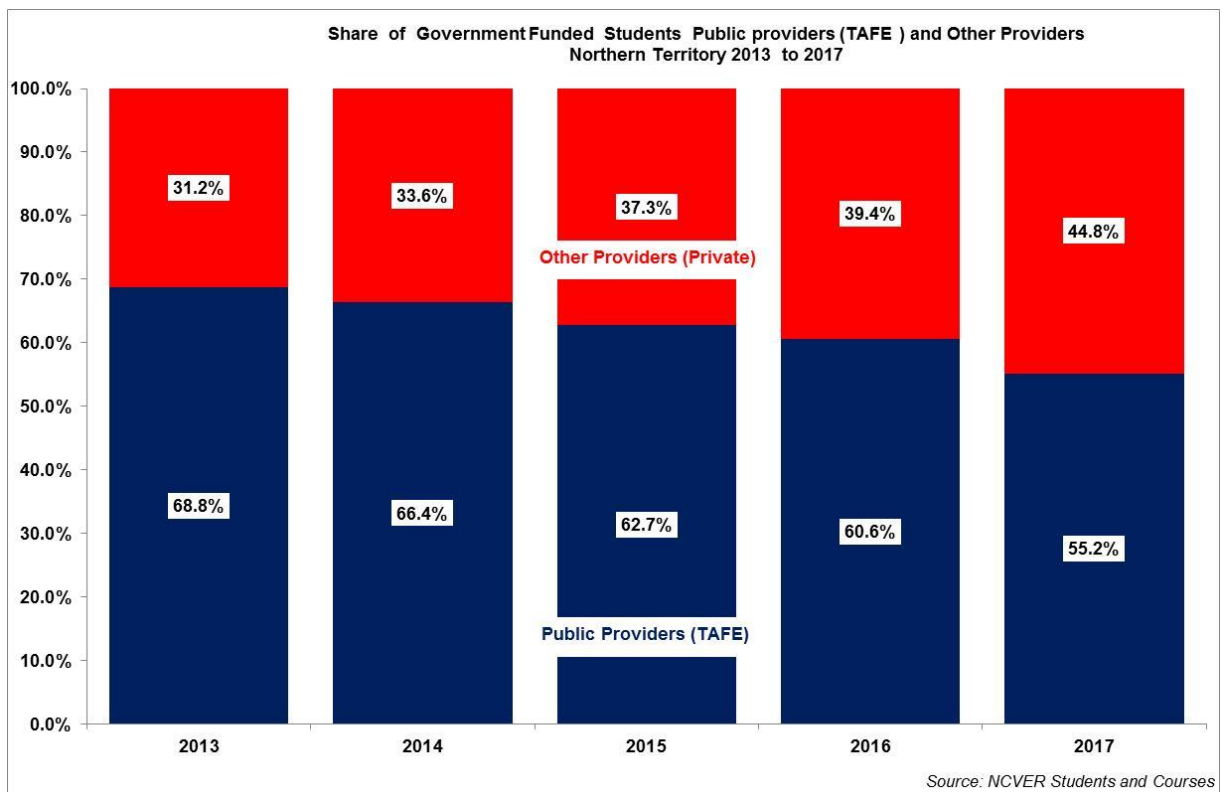


Figure 2



This shift in student load from public providers to public providers is also shown in the distribution of government funding for VET delivery as shown in Figure 3, which shows the total level of real (measured in 2016 values) government payments for VET delivery broken down into payments to TAFE (CDU and BIITE) and non-TAFE providers.

The data shows that while the real value of overall government payments fell over the period from \$137.7m to \$119.5m a fall of \$18.1m or 13%, the value of payments to non-TAFE providers actually rose from \$11.1m to \$20.1m an increase of \$9m or 80%. Real government payments to TAFE providers actually fell by \$27.1m or almost 22%. As a consequence the share of real government payments going to non-TAFE providers increased from 8.1% to 16.8%.

Figure 3

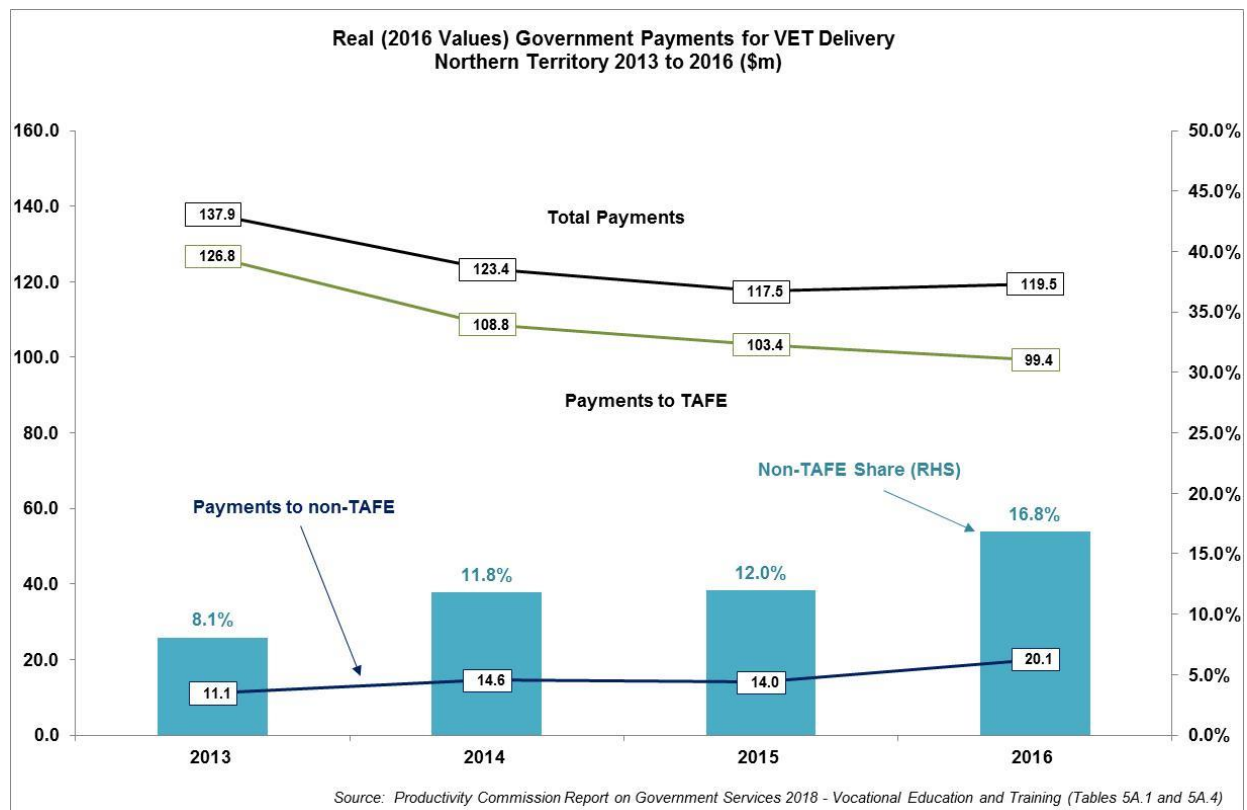
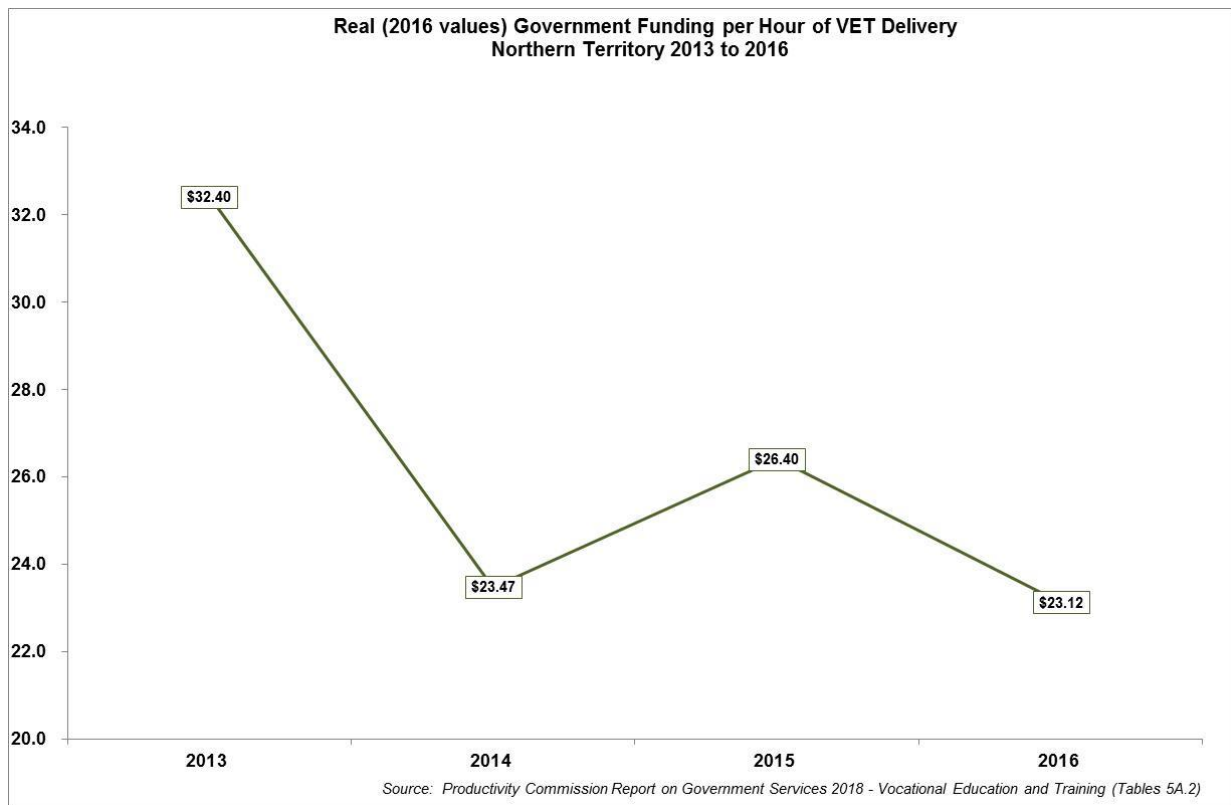


Figure 4 shows the real value of government funding per hour of VET delivery from 2013 to 2016. As expected the increase in student load together with the decline in public investment has seen a significant fall in the real value of funding per hour of delivery from \$32.40 in 2013 to \$23.12 in 2016, a decline of \$9.30 per hour or almost 29%.

Figure 4



The data shows that changes in way VET has been regulated and funded since the introduction of entitlement based funding from 2014 has not only resulted in a significant shift of student load away from the public TAFE providers (predominately CDU and BIITE) to non-TAFE (private) providers, but has also seen a significant decline in the overall level of real public investment in VET in the Territory but a very significant decline in the value of real funding per VET hour delivered. As is shown below, these changes seem to have had a profound impact on the financial viability of TAFE delivery in the Territory.

Impact on CDU and BIITE Finances

The following analysis of the financial viability of CDU and BIITE is possible because as dual sector institutions in receipt of Commonwealth higher education funding, they are required to provide separate financial reports for both their higher education and VET operations.

Figures 5 and 6 shows total income, total costs and the operating results for CDU and BIITE respectively over the period 2010 to 2017. The data is sourced from each institution's annual report for various years. The thing that both institutions have in common in relation to their VET operations is the acceleration in operating losses commencing from 2014.

In the case of CDU, losses are clearly a direct consequence of a precipitous fall in income between 2014 and 2015. In case of CDU the increased size of the operating losses are being driven by revenue failing to keep up with continued increases in costs. In one case the losses would appear to be driven by loss of student load, while on the other hand losses appear to be being driven by the need to increase expenditure in order to maintain current levels of income.

Figure 5

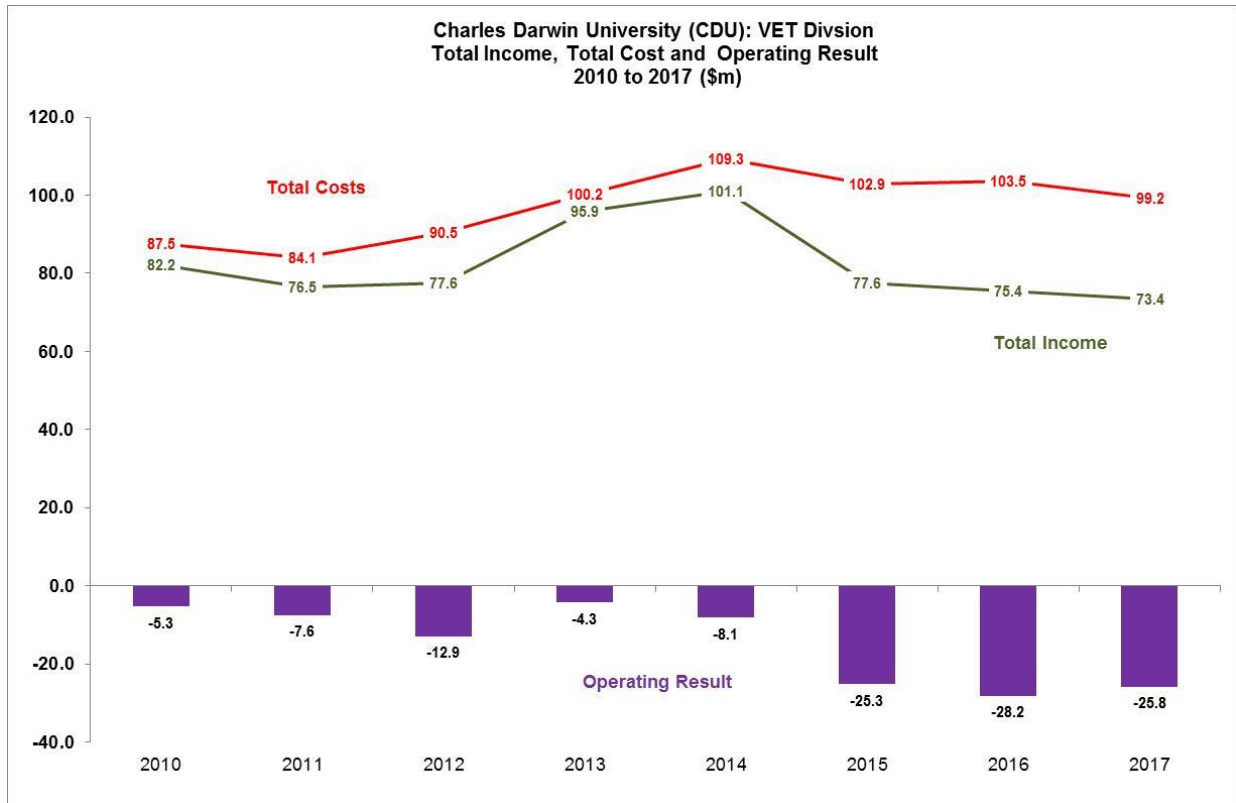
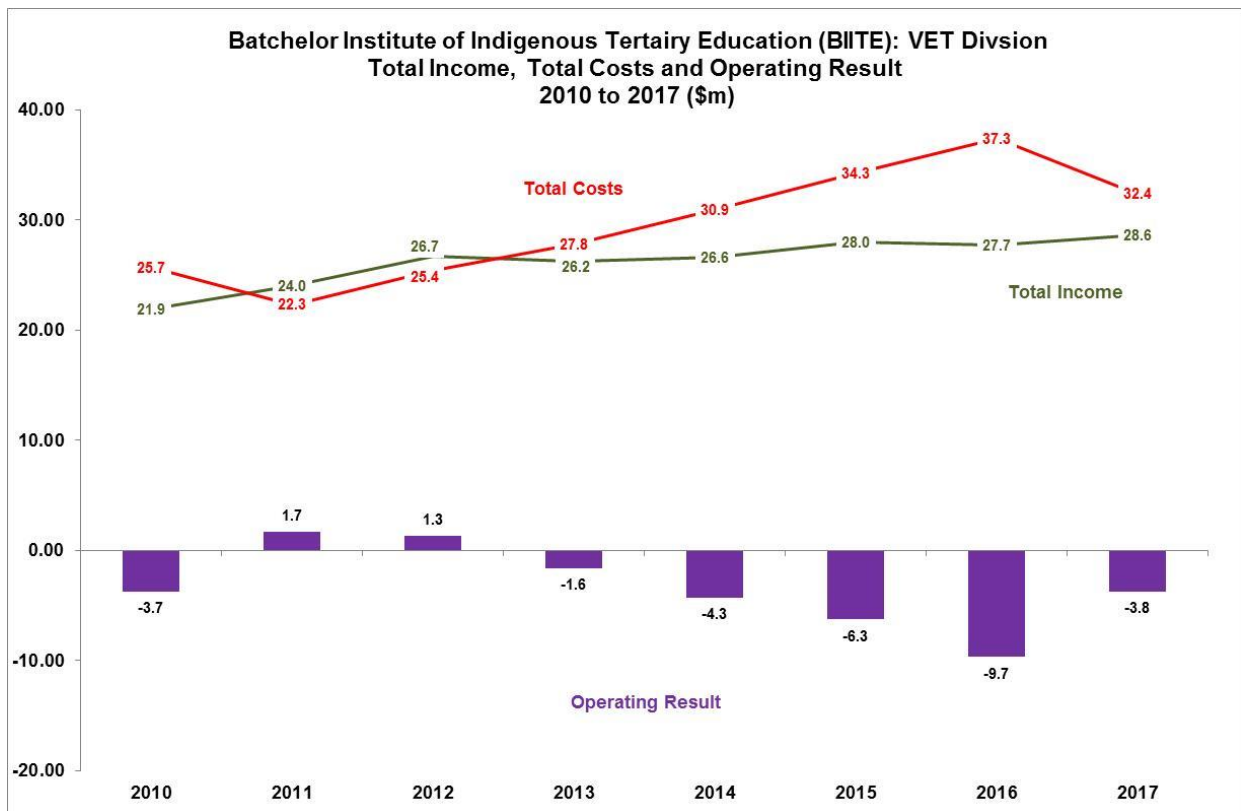


Figure 6



Role of the Commission

According to *Training and Skills Development Act* the Commission has the following functions:

- (a) to promote VET in the Territory;
- (b) to provide high level strategic advice to the Minister for the effective planning for VET in the Territory;
- (c) to prepare, approve and submit to the Minister a VET investment framework;
- (d) to prepare, approve and submit to the Minister by the end of October, or another date specified by the Minister, in each year a VET investment plan for the following calendar year.

[Part 2 Division 2 Clause 12 Functions of Commission]

From the analysis presented above, it is apparent that the introduction of entitlement model and other changes to funding levels have had a profound impact on the financial viability of VET offering of both CDU and BIITE.

Assuming that it remains the objective of the NT government to maintain strong and financially viable public TAFE in the Territory, the NTEU would that one of the roles of reconstituted Training Commission would be examine the impact of its investment

frameworks and plans on public provision which would explicitly take into community service obligations.

Membership of Commission

The Act also specifies that the Commission be comprised on 9 members appointed by the Minister who in his/her opinion:

- (a) are capable of representing the interests of industry and employers; and
- (b) have knowledge of, and experience in, an area relevant to the functions of the Commission.

[Part 2 Division 2 Clause 14 Membership of Commission]

At the time of announcing the initial membership of the Commission in July 2016, the then Deputy Chief Minister of the Northern Territory and Minister for Employment and Training, Peter Styles appointed the following:

Andrew Bruyn (Chair)

General Manager of Channel Nine Darwin since 1991 and then chair of the interim Northern Territory Employment and Training Authority (NTETA) Advisory Board.

Annette Gillanders (Deputy Chair)

Program Director with BizNorth.

Peter Barclay

Director of Barclay Builders and member of the NTETA Advisory Board.

Greg Bicknell

CEO of the NT Chamber of Commerce.

Wayne Kraft

Hospitality sector and then member of the NTETA Advisory Board.

Neilia Ginnane

Executive Director of the Housing Industry Association (HIA) NT.

Pamela Jape

Operations Director with Jape Group Australia and International.

Stephen Schwer

Chief Executive Officer of Tourism Central Australia.

Neil Hallagan

Fellow of Engineers Australia and CEO of the Civil Contractors Federation NT.

We note that there are no representatives of public providers, staff or students.

The NTEU believes that criteria for membership of the Commission need to significantly changed, and include representation not only from industry and employers, but also include representative from those involved in the delivery of VET including staff and students and public providers.

We are concerned that abolishing the Commission may be a case of throwing out the baby with the bath water.

Conclusion

Rather than abolishing the Commission as is proposed by the *Training and Skills Development Amendment Bill 2018*, the NTEU is calling for the Commission to be reconstituted:

- 1) so that its functions include assessing the impacts of any VET investment framework or plan on public TSAFE providers, specifically CDU and BIITE, and
- 2) broadening its membership to include representatives from TAFE, staff and students.