

VET) is generating highly undesirable competition or gaming of regulatory and funding frameworks including:

- Cost shifting from the public sector to individual students disguised in the form of income contingent loans.
- Cost shifting between State/Territory governments and the Commonwealth.
- Policy competition between public universities and TAFE institutes.
- Policy competition between private and public sectors within and between the higher education and VET sectors.

The evidence of undesirable behaviour by providers in tertiary education in Australia is confirmed by a number of policy responses from both the Commonwealth and Victorian Governments over the last twelve months.

Last year, the then Federal Minister for Tertiary Education, Senator Chris Evans, announced that caps on the number of Commonwealth supported sub-degree places would be kept in place partially as a response to announced plans by a number of universities proposing to rapidly expand the number of students enrolling in Diploma, Advanced Diploma or Associate Degree programs.

In January this year, the Minister also denied permission for University of Canberra degree programs to be offered by Holmesglen Institute of TAFE in Victoria. It appears that the Minister was concerned that these initiatives were being motivated by cost shifting from the State Government to more generous Commonwealth sources.

### **TAFE gutted in Victoria**

However, if one needs a clear and present example of risks to education and public finances associated with regulatory reform based on contestable market principles one need only look at recent reforms to VET funding in Victoria.

The \$300m cuts to Victorian TAFE funding announced by the Baillieu Government in 2012 arose as a direct consequence of policy initiatives introduced by the 2008 Brumby Government policy 'Securing Jobs for Your Future'. This policy framework directed government subsidies for VET courses to all approved private providers as well as public TAFE institutes. It made public funding fully contestable. It was the full contestability of funding which led to the blow out in VET funding and provided

the excuse for the Baillieu Government cuts to TAFE funding.

The consequences for VET students and TAFE institutes in Victoria have been profound and undesirable and have included:

- Substantial increases in student fees for most programs except introductory programs.
- Massive increases in fees for Diploma and Advanced Diploma qualifications which were facilitated by students having access to Commonwealth income contingent loans through VET FEE HELP.
- The proliferation of highly popular (and often substandard) courses by private providers.
- More than 2,000 redundancies, the closure of up to 20 sites and cessation of hundreds of courses at TAFEs across Victoria.

### **Unequal playing field**

In summary, private providers exploited the direct public subsidies available under the new funding arrangements by cherry-picking highly popular and high margin (profit) courses such as those for personal trainers, masseurs and baristas. In some cases less than scrupulous marketing tactics were also used to attract new students, such as offering free iPads or holidays.

As a consequence TAFE colleges find themselves in a position where it is difficult to compete because of their community service obligations to offer students full services or offer training in less popular high cost areas of critical skills shortages in areas such as the trades and or aged care for example.

These cuts to Victorian TAFE funding (which included the removal of 'full service' funding) are undermining the financial viability of many of Victoria's TAFE institutes and cross sectoral universities.

Given the highly undesirable impacts that the anomalies and inconsistencies in the funding and regulatory frameworks between VET and higher education are creating, it is essential that all levels of government, public and private providers, staff and student representatives, work together to achieve greater consistency and coherence across the tertiary education sector.

### **Building a new framework**

Discussion about the nature of any new framework needs to be based on a number of sound principles, which the NTEU believes should include:

1. Maintaining the essential characteristics, distinct missions and nature of education, research and community and student support services offered by different types of providers in both VET and higher education.
2. Explicitly recognising and supporting the obligations that public universities and TAFEs have to their students and communities.
3. Eliminating the risks inherent with a fully contestable funding model because private providers do not have the same community service obligations as public universities or TAFEs.
4. Keeping the cap on the fees providers can charge students enrolled in courses for which they receive direct government contributions for the education or training of government-supported students.
5. Eliminating the opportunity for providers to exploit different funding and regulatory regimes for similar education and training depending on the sector in which they are delivered or the level of government responsible for regulation and funding.
6. Ensuring that no one is prevented from participating in tertiary education because of upfront costs or tuition fees by making income contingent loans available to all students studying in an approved course by an accredited provider. ⚡

