

VACC Submission to the Senate Standing Committee on Education and Employment on Technical and Further Education (TAFE) in Australia

7 March 2014



Introduction

The Victorian Automobile Chamber of Commerce is an employer organisation representing the interests of automotive businesses, predominantly small in size. VACC members range from new and used vehicle dealers (passenger, truck, commercial, motorcycles, recreational and farm machinery), repairers (mechanical, electrical, body and specialist e.g. radiators and engines), vehicle servicing (service stations, vehicle washing, rental, windscreens), parts and component wholesale/ retail and distribution and aftermarket manufacture (i.e. specialist vehicle, parts or component modification and/or manufacture), and recycling.

VACC members are based all across the states of Victoria and Tasmania. Our sister organisations, the Motor Trade Associations represent the same type of businesses. The automotive industry is reliant on trade training, cert II traineeship qualifications, pre-apprenticeship and school based programs, businesses currently access some 64 qualifications from the two (AUR and AUM) automotive training packages. In both Tasmania and Victoria, the public TAFE providers are mainly utilised over private providers.

Total employment in the automotive sector including the three passenger manufacturers is down to 361,187 employees in 2012/2013, with 67,260 businesses as at June 2012 (ASA Environmental Scan). With the departure of the three passenger vehicle manufacturers, there will be further structural change in the industry, as importation of vehicles will be 100%, rather than the current level of importation at 80%. The departure of the manufacturers is estimated to affect more than 45,000 automotive jobs in the industry.

Other sectors of the industry have seen rationalisation and consolidation, corresponding with reduced levels of employment, while other sectors have increased employment. As the industry overall grew in employment by 4,132 over the previous financial year, it shows that the industry will remain relevant and continue to contribute to the Australian economy, despite its changes as it shifts to respond to economic, social and technological demands. The industry has been a consistent contributor to the nation's GDP at around 2.6% (currently \$38.4 billion per year). Unfortunately, this contribution and size of industry is often overlooked as the automotive industry is spread across eight broad ANZSIC industry divisions (Manufacturing, Wholesale Trade, Retail Trade, Accommodation and Food Services, Transport Postal and Warehousing, Rental Hiring and Real Estate Services, Administrative and Support Services and Other Services) with the possibility of automotive services in another three broad divisions. The ANZSIC divisions represent the standard for industry research and data collection managed by the Australian Bureau of Statistics.

In preparation of this submission, VACC conducted an industry survey in Victoria and Tasmania, consulted with members directly on their experiences, obtained feedback from managers and their apprentices currently training in an automotive trade and school based traineeship or apprenticeship, and relies on the most recent qualitative and quantitative intelligence contained in the 2014 Auto Skills Australia Environmental Scan.

The VACC on-line survey was accessed by 982 businesses, of which 293 participated and represented a sample of employers in regional and metropolitan regions and good cross sections of industry sectors and size of business.

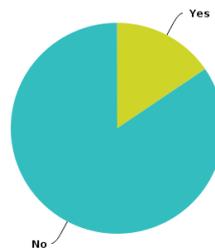
A. The Role Played by TAFE

Industry Support for Public TAFE Providers- Collaboration Essential

1. Public TAFE in Victoria and Tasmania represent the largest providers of vocational training. A TAFE that is responsive to industry needs will be supported by industry over a private training provider. It is when the TAFE fails to address quality delivery and assessment to industry standards that industry seeks out private providers, competes with TAFE or reverts to informal training options i.e. ceases engagement with the national training system.
2. The following graph shows the level of support for public TAFE over private TAFE providers, however, the utilisation of private TAFE providers is on the increase.

Q13 Do you send an apprentice/trainee to a Private Training Provider?

Answered: 211 Skipped: 7



3. The evidence from VACC's survey and the 2014 ASA Environmental Scan shows that while numbers of apprentices engaged are still high, almost half of the industry does not employ apprentices due to their lack of confidence in TAFE, or difficulty in engaging suitable applicants. The common themes that emerged from the VACC survey were as follows:
 - a. Lack of tuition, relevancy and supervision
 - b. Lack of resources and funding
 - c. Lack of consultation with employer
 - d. High student ratios to staff
 - e. Course administration out of synch with training requirements:
 - *My apprentice as of 2013 was being taught the old curriculum.*
 - *Every apprentice I have had seems to have different paper work to be completed.*
 - *Very poorly organised, departments have no idea what each other are doing, cannot get an accurate progress statement, accounts are due 4 weeks before a tax invoice is supplied, Timetables are adjusted and employer not informed, less blocks per year but higher fees, no onsite carparking, etc etc etc*
 - *Students always complain about how long it takes to get signed off on tasks*

- f. Reduced specialised training:
 - *diesel fuel injection training*
 - *diagnostic skills*
 - *basic fitting and skill in cutting of metals.*
4. VACC's group training scheme, reports increased support from businesses because of their lack of confidence, lack of time to deal with TAFE and their inability to exert any influence on TAFE. The common view of business is that VACC due to its size is in a position to ensure the relationship between the TAFE, the apprentice and the business needs is adequately managed.
5. VACC is a large group training employer, in addition to being the principal advocate for the industry in Victoria and Tasmania. In our experience, despite enrolling significant numbers of apprentices and trainees into ten RTOs in Victoria (three are private RTOs) we are increasingly frustrated as public providers ignore our needs and feedback. Only recently, VACC has engaged with three private RTOs because of frustration with public TAFE.
6. VACC has in the past withdrawn significant numbers of apprentices from an RTO to force compliance with industry standards, and will do so again when the RTO ignores legitimate and serious quality concerns (and provided we have an alternative provider). Victoria's competitive market, rather than producing quality outcomes through competition has resulted in a race to the bottom in terms of meeting industry standards. VACC is currently considering all available options as an alternative to the service delivered by current metropolitan public TAFE providers.
7. The lack of interest in genuine feedback from industry is concerning. Just this year, a large employer of apprentices that also hosts a large number of VACC's apprentices withdrew support for the only public TAFE provider for that sector of the industry and set up as an RTO in competition to the TAFE. This employer, a member of VACC did so because of frustration over a long period over poor quality delivery and assessment. The employer on numerous occasions raised their concerns directly with the TAFE and VACC raised the same issues, but the TAFE ignored those comments. Since setting up in competition, the employer has doubled their investment with double the number of apprentices in 2014 compared to the previous year. Unfortunately for industry, the employer operates in a highly specialised field and the withdrawal from the TAFE has created a thin market for the balance of that sector of the industry. Small employers in the same field are now disadvantaged, as the TAFE will most likely dedicate less time and resources, due to low numbers of apprentices.

8. It is our view that there must be a requirement for TAFE to collaborate with industry in a genuine way. At this point, VACC is concerned that while TAFE likes the idea of “partnerships” and “engagement”, they do not embrace the concepts in their true form.
9. Public TAFE requires the support and the motivation to genuinely engage with industry (at this stage there is no genuine engagement in automotive), TAFE should be able to respond to economic changes to address skill shortages collaboratively with industry, and should deliver training where the value of the training is high, but the market may be small. Delivery and assessment in VET should be of a high quality standard and meet industry needs. It is only then that industry will restore its confidence in TAFE.

Government Policy and its impact on TAFE

10. The Victorian training system has undergone significant change in response to policy change. While the reasons for policy change are commendable, the actual application of the policy direction has not achieved the desired outcomes, in fact, the outcomes have hurt employers, genuine job seekers and public TAFE providers. Examples of comments from survey respondents are as follows:

I have noticed that a significant drop in resources/funding which has made it more difficult for TAFE's to perform.

TAFE shut downs meant our apprentices had to travel a lot further to go to trade school. There's nothing anywhere near us.

11. The Victorian Government reports that the number of private TAFE providers climbed from 201 in 2008, to 445 in 2012. These private TAFE providers have also increased their delivery by 472%. These startling figures do not show improved quality outcomes, but instead raise serious questions regarding how it can be so easy and quick, that these providers have accessed government funding and issued thousands of qualifications. From an industry's point of view, our interest lies in whether the quality outcomes of the qualifications can be assured by the authority that has registered them, and the authority that provides access to government funds. Interestingly, enrolments at public TAFE rose by 7% from 2011 to 2012.
12. The Victorian Training Market Quarterly Report Q3 2013, reported significant growth in enrolments in government subsidised training over five years, and therefore the Government introduced the Refocussing Vocational Training policy, which prioritised funding to skills shortage areas. Automotive trade training is considered a skill shortage area. The report identified the number of qualifications issued over time

and in regional areas. Despite this government “investment”, the spend has not addressed the skill shortages in our industry. VACC had reported to Higher Education Skills Group (HESG) and ASQA various reports by RTOs, including their change of tact in order to access government funds as new policy directions were introduced. Rather than seeing an increase in apprenticeships in automotive traditional trades, our experience shows the increase in qualifications is a direct result from various marketing strategies by RTOs mainly in the form of RPL services.

13. In the traditional trades, training should be linked to employment (apprenticeships) in order to satisfy industry expectations of competency. As there is no requirement for employment, RTOs are handing out qualifications in a tick and flick fashion, without the required level of practical experience. This means that the individuals in receipt of these qualifications are not employable, and if they intend to complete an apprenticeship they had expended their funding entitlement, which is another disincentive for employers to engage the job seeker. The data is difficult to extract the real story, as it was reported in one briefing session that in automotive, apprenticeships increased by 11%, yet this statement does not support the practical evidence in industry.

Industry Expect the Authorities to Regulate, Monitor and Swiftly Act

14. Attempts to address reporting and quality issues have failed. Dubious RTOs in receipt of state government funding under the Victorian Training Guarantee that threaten business and fraudulently state that qualifications are mandatory (then issued in less than three hours of discussion). When reported these are not addressed by either HESG, VRQA or ASQA. The automotive industry has formally and informally provided evidence of these behaviours, but action by the authorities is extremely slow or not forthcoming. While the authorities “investigate” the complaints, the RTO continues to issue dubious qualifications and access government funds. In Victoria, following the overwhelming evidence of reporting in RPL programs, the response has been to cut funding, so rather than address the problem, the reputable providers of genuine RPL services cannot compete against the reporting RTO. This knee jerk policy reaction inadvertently provided an advantage to reporting RTOs.
15. Unfortunately, successive Victorian Governments have measured success through the number of qualifications issued. However, industry measures success through job outcomes and whether the training has addressed skill shortages. The evidence shows that despite the large number of qualifications issued, the industry continues to suffer severe skills shortages and further, the evidence shows that while the national data shows a slight fall in skill shortages, the fall is due to employers operating more leanly and not offering employment due to the lack of suitable job applicants. Candidates with trade skills received over a three hour period or a

diploma level trade qualification delivered in 12-18 months are unable to find employment, as their qualification does not reflect competency in the trade. Unfortunately both private and public providers have handed out these useless qualifications, and in some cases charged the student up to \$30,000 for the privilege.

16. It is our view that serious action is warranted to remove the RTOs that fail to deliver a quality product. VACC also proposes that all RTOs should publicly report on the number of qualifications issued, and the method of delivery of those qualifications i.e. face to face, on-line, on-the-job or apprenticeship via on-the-job, or off-the-job via a self-paced or lock step approach.
17. Of relevance to the role of TAFE is the role of the VET Regulator. ASQA is the regulator in most cases and the expectation that the Regulator operates on a self-funding mode, creates additional cost pressures on TAFE due to their size. Private RTOs do not have the same financial constraints as the large TAFE (e.g. large institute to maintain, long serving employees and EBA agreements based on negotiations by Government). Training provider standards and the regulation of those standards should be the responsibility of the Regulator, and it is in the public's interest that those standards are adhered to.

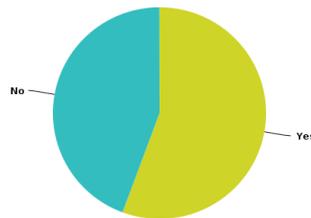
B. The Effect of the Competitive Training Market on TAFE

18. Victoria has introduced a competitive training market, where funding is supposed to create a level playing field between private and public providers, an additional policy change was the introduction of the student entitlement system known as the Victorian Training Guarantee. Changing the funding did not result in a level playing field; it had the effect of financially disadvantaging public providers and in an attempt to compete on cost, there has been a race to the bottom in terms of quality. VACC does not suggest that the public TAFE providers were disadvantaged in the market place simply due to changes in government policy, industry recognised the drop in quality delivery and assessment over time among a number of providers. This drop in quality arose because of a variety of reasons including a drop in teaching skills, the cost of replacing outdated technologies, lack of flexibility to react to industry expectations and in many cases the TAFE simply became complacent because of lack of competition in the market place. Much of the behaviour of RTOs has been short term outcome driven, hence job seekers and workers that have accessed the Victorian Training Guarantee have in a number of cases been disadvantaged, because of either poor advice, advice that was lacking or simply incorrect.
19. In practice, the VET system is not industry lead or demand (student) driven, rather, the system is market driven by RTOs chasing government funds and the public TAFE

providers reducing their quality of product to compete against private TAFE providers, that have few overheads and no responsibility for community programs. Quality is not a measure of success, rather success is measured by the number of qualifications issued, and very little action against rogue providers is taking place.

20. Survey respondents report both satisfaction and dissatisfaction with TAFE. While all is not hopeless, there is significant room for improvement.

Q12 Do you believe your TAFE provides value for money?
Answered: 257 Skipped: 21



From our first apprentice finishing to the second is a period of 4 years. Our current apprentice is starting his 3rd year. We have noticed a slowdown of written/completion of units TAFE says 70% practical which is not of a high standard with poor teachers who have been out of trade far too long and are more interested in stretching out the course. In our small business a third year is on gross \$544 a week and is away 8 weeks school, 4 weeks holidays and 10 public holidays nearly 14 weeks = 8320 + we pay the TAFE fees... Our workshop is busy and it makes it hard.

This comment does not apply to TAFE specifically, but these days when I interview a new employee I place no value on previous education or training. It does not seem to make a difference.

Lack of classroom training - apprentice paid fees but did not have to attend any school training.

*The RTO is very hard to deal. No communication between TAFE and the employer. **The RTO didn't let us know our last apprentice had been injured at trade school. Not 1 visit from the trade school teacher. No reports on how apprentice is doing.** Changing block releases to Wednesday to Tuesday meaning the apprentice can't get weekly train tickets - and this causes dramas for the apprentice to get to trade school if they don't drive. As TAFE is a business it is run as a business not as a training facility e.g. insufficient staff to provide training and out dated equipment.*

Warrnambool has got a bit better, good staff

Our local TAFE has become far more flexible with their delivery of modules which has made it easier for us,

The Gordon TAFE, Geelong has implemented training for heavy stream apprentices and this presents a new dynamic in training which allows the apprentice to actively get involved with CBC training and also means he spends less time at school if he is motivated.

21. Most alarming from the survey was the number of employers disengaging from the formal training system. 85% of survey respondents previously used RTOs, while at the time of the survey, only 53% currently engage with RTOs. The common reasons for disengaging from the formal training system were:

A reduction in face to face training has led to a diminished amount of knowledge the apprentice is able to comprehend and incorporate back in the workshop.

I've noticed that more training is now up to employers rather than the TAFE system.

They don't seem to care about teaching the required material. Just numbers.

Feel the kids are getting pushed through the system too quick.

Lack of accountability. Out of date training. Lack of detail and interest toward the apprentices.

Lack of mentor over apprentice. Apprentices not learning. Teachers / instructors too care-free on students' progress.

22. In Victoria, in many cases, automotive training has become so seriously poor, that employers are walking away from formal training, sending their apprentices interstate to attend reputable private training, or in some cases, setting up in competition to address the poor quality standard of delivery by RTOs.

C. The Adequacy of Public Funding

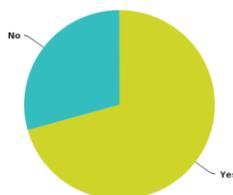
19. Public funding should be regularly reviewed following genuine consultation with stakeholders including industry, to reduce rorting and address the quality issues identified by industry. Unfortunately, Federal and State Government decisions concerning funding appear to occur without an understanding of the needs of industry. Industry intelligence is clearly lacking for decision makers.

An example of a policy decision released without consultation with industry is the removal of funding for certificate II traineeships, on the basis of large numbers of traineeships in the retail sector. While this decision achieved the desired effect of a saving in this area, in automotive, certificate II traineeships were linked to a genuine job outcome, and provided a pathway for mature age job seekers (over the age of 21 years) to return to the workforce and re-engage in learning. Consequently, RTOs market strongly fully institutionalised certificate III qualifications that do not lead to job outcomes as industry does not value these qualifications. In addition, job seekers with these qualifications then cannot access a government funded apprenticeship.

20. In 2011, the Essential Services Commission conducted a review of Victorian funding and concluded that to create a level playing field between private and public providers, the higher public RTO funding should be reduced over a four year period, and the funding to cover EBA commitments should also be reduced over four years. Instead the Victorian Government reduced funding in one swift action. This had the effect of sending TAFE into a tail spin, rather than affording them the opportunity to plan and make provision for expected reductions in funding. In addition, funding for community services had reduced, despite the expectations from the community and industry, that TAFE has a legitimate role in this space.

21. Survey results showed a majority support for TAFE to engage in community based programs:

Q11 Do you believe TAFE Institutions have a broader role to play for their local communities, for example, providing services to assist the unemployed?
Answered: 268 Skipped: 12



22. Some of the direct comments from survey respondents re-enforced the role that public TAFE have in the community:

They have a role in the community to prepare young people for employment by providing the necessary employability skills for their chosen career path

23. Victoria has the highest level of public and private TAFE providers. It is our view that there should be amalgamations of TAFE, and dubious RTOs need to be acted on urgently to restore the faith of industry in the VET training system.

24. VACC also recommends that the authorities genuinely engage and consult with industry on the performance of RTOs, and expectations around RPL.

25. VACC also recommends that RTOs should be required to be more transparent in terms of the number of qualifications issued in each category and the mode of delivery of those qualifications i.e. face to face, on-line, on-the-job or apprenticeship via on-the-job, or off-the-job via a self-paced or lock step approach.

D. Factors Affecting Affordability to Students and Business and Application of Additional Charges to Students

26. In 2011-2012, the Government removed the cap on apprentice enrolment fees imposed on TAFE, which resulted in a significant increase of fees, (in some areas as much as 100%) over the last two years. This cost burden placed on business has also added pressure on the apprentice to perform at a higher level within the workplace to justify the increased cost of the apprenticeship. The quality level of training delivered by TAFE does not align to the increased costs or the added explosion in associated charges around apprentice enrolment fees. TAFE fees are not transparent, or effectively communicated to the business. Invoices for fees are difficult to comprehend as they are shown as one line sums, described as a tuition fee without any detail concerning the duration of delivery involved. In other words, businesses do not know what they are paying for and do not know what duration of training they will receive for the sum, for instance does the sum cover 5 hours of face to face training or 2 hours of on-line access? Invoices also include additional charges which often cannot be explained. The additional charges found on invoices include but are not limited to the following:

- Language, literacy and numeracy fee
- IT fee
- Material fee (no explanation of what the break down is)
- Amenities fee
- Auxiliary fee
- E-learning fee
- Text books

27. The overall training costs associated with employment of an apprentice are having a detrimental impact in the business decision to employ and train an apprentice. If allowed to continue, it will price apprenticeship training out of reach of the average business. Currently, apprentices are required to pay their enrolment fees upfront. However, given the significant enrolment fee, if the apprentice does not have a health care card, employers are stepping in to pay the fees, rather than reimbursing on successful completion or at six months of the commencement of training.

28. The following shows the change in TAFE fees from 2012 to 2014.

RTO Fees 2012

RTO	Tuition Fees	Amenities Fees	Ancillary Fee	Material Fee
A	\$2.17 per nominal hour	\$60	-	\$0.80 per nominal hour
B	\$1.47 per nominal hour	0.21 cents per nominal hour	\$20	\$5-\$8 per unit
C	\$1.75 per nominal hour	0.30 cents per nominal hour	\$20	\$0.30 cents per nominal hour

RTO Fees 2014

RTO	Tuition - Standard	Service/Amenities	Materials	Other Fees
A	\$3.15 per nominal hour	\$105 flat	\$1.10 per nominal hour	Pre-training review: \$15
B	\$3.10 per nominal hour	30c per nominal hour	\$110 flat LV HV	Additional material fees: \$120 Ancillary fee: \$25 Learning Guide & Record Book: \$70 HV Excursion: \$100
C	\$2.70 per nominal hour	\$200 flat	30c per nominal hour	

29. The percentage increase in fees for the average student undertaking 350 hours of training, for three major metropolitan TAFEs are as follows:

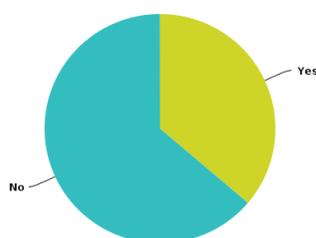
RTO A 46%	RTO B 118%	RTO C 49%
-----------	------------	-----------

30. Another factor affecting affordability relates to teach out of the old package as apprentices transition to the new training package. The automotive industry is 15 months into the transition of a new training package, with no clear indication of when employers will be able to transition their apprentices currently employed under the old package (i.e. not started under the new training package). The reason for this continued delay, is that the HESG and VRQA are yet to make a decision on the best method of implementation. The recent relaxing of the teach out conditions by ASQA has only added to a greater volume of apprentices that will be disadvantaged by the issuing of an outdated qualification by an RTO. This means that if an employer wishes their existing apprentice to receive the new qualification, they will have to again enrol their apprentice for an additional period in excess of the original nominal period, change the training contract to reflect the new training package, and incur additional fees. It appears that there is a lack of co-operation between state and federal VET authorities, to ensure that industry (employers and the apprentices) are not unnecessarily disadvantaged in the transition between the old and new package. Stakeholders such as VACC have not been consulted to gauge the impact of this decision on industry.

31. Respondents to the survey indicated a willingness to pay for quality training, consequently, the major concerns related to the reduced quality of training by TAFE and the reduced service levels including reduced face to face contact time with the apprentice. Survey respondents that accessed informal training interstate, often cited expenses which exceeded fees in Victoria and included coverage of expenses such as accommodation and travel because of the value given to the training received. In Victoria, the public TAFE providers have reduced face to face training without consulting with industry or employers directly. This has created much discontent with the public TAFE provider. The graph and comments below show the level of concern over reduced face to face training and other quality delivery concerns.

Q10 Are you supportive of TAFE's reducing the student face to face contact time (i.e. 6 weeks of class time training per year reduced to 4 weeks per year)?

Answered: 265 Skipped: 13



Reduction in face to face contact, no communication, outdated equipment and repair techniques

The standard and quality of training has declined significantly – self education does not work!

They are given more money incentives, better conditions and equipment, but yet don't last in the trade, and if they do they are not as skilled as old school tradesman.

Too much OHS etc. We know all that, teach them to work and understand what they are trying to achieve.

It seems to be stretched in regards to resources and positions. Also seems to be heavily catering to foreign students ahead of local ones.

I've noticed that more training is now up to employers rather than the TAFE system.

Too much attention to non-hands on training. Not enough consultation with the employer.

Lack of proper tuition and supervision, a far cry from 40 years ago.

Fewer teachers, less relevant classes, failure to assess information retention. Not "competency".

E. Mechanisms for Government to Allocate Funding

32. VACC recommends that Governments should allocate funding based on quality of delivery, this means the measurement of quality cannot be process driven or number of qualifications issued. Quality is an expectation of industry, therefore action must be taken to ensure RTO behaviour is not driven by funding as is currently the case. Below are examples of comments made by employers in VACCs TAFE inquiry survey.