

Summary of stakeholder views from Future Proof consultations

Business Council of Australia

13 April 2018

This page is intentionally blank.

Contents

1	Introduction	3
2	General reaction	5
3	Overall tertiary education model.....	7
3.1	The concept of a tertiary system.....	7
3.2	Five elements of the tertiary model.....	8
4	Tertiary model proposals.....	10
4.1	Structure.....	10
4.2	Funding.....	13
4.3	Single platform for market information.....	16
4.4	Governance.....	19
4.5	A culture of lifelong learning.....	24
5	Other issues raised through consultation.....	27
	Appendix A Stakeholder consultations.....	31

1 Introduction

The Business Council of Australia (Business Council) engaged Nous Group (Nous) to run an independent consultation process on the Business Council's discussion paper *'Future-Proof: Protecting Australians through Education and Skills'* (the paper) which was released in October 2017. The paper sets out a rationale for substantial reforms to the education and training system to ensure that Australia is better equipped to deal with the forces of change in the economy. It offers specific proposals on how the tertiary education system, in particular, could be redesigned. These are based in part on detailed analysis of the strengths and weaknesses of previous reform efforts.

The paper sets out features of a potential new approach to governance, regulation and funding for Vocational Education and Training (VET) and higher education (HE). These design features are underpinned by a shared understanding of VET and HE as being two separate but complementary parts of a single system, an agreed set of desired outcomes from that system, and an accessible platform for skills and labour market information to enable effective student choice.

In commissioning Nous to conduct consultations on its behalf, the Business Council sought to access a wide range of views from tertiary education providers and government policy-makers to inform its final position on tertiary education reform. This report provides our distillation of these stakeholder views.

Our engagement approach

Nous conducted ten interviews between December 2017 and February 2018 with a select group of stakeholders including senior education officials in a number of jurisdictions, provider peak body representatives, and senior academic staff. The interviews were designed to test the core proposals of the paper at a high level and thereby inform our deeper engagement with the sector.

Nous also worked with the Business Council to invite public submissions on the paper's proposals. The submission process ran from 8 December 2017 to early February 2018. A total of 24 submissions were received.

In February 2018, Nous facilitated five roundtable discussions on the paper with tertiary education providers. Roundtables were held in Adelaide, Melbourne, Sydney, Brisbane and Perth and involved a total of 66 participants. These meetings provided an opportunity to seek clarity on the intent and detail of the paper's proposals and to express views on their merit and feasibility to implement.

Nous also engaged in a discussion with the Skills Senior Officials Network (SSON) on 9 February 2018 on the proposed tertiary education model.

In March 2018, Nous facilitated a validation workshop in Melbourne with 16 provider peak body representatives. This workshop was designed to confirm and deepen Nous' understanding of sector reactions to the Business Council's proposals. We explored the extent to which the feedback received to date was consistent with the views of the peak bodies so that we could be confident in our assessment of the degree of support for the principles and specifics in the paper.

A full list of stakeholders engaged throughout this process is provided in Appendix A.

About this report

This report outlines the findings from the consultation process at a high level, starting with general reactions and then focusing on responses to the specific proposals in the paper.

We have included indicative, anonymised summary views as well as relevant direct quotes from stakeholders' submissions to illuminate key points.

The following language is used to give a sense of the weight of support for particular positions:

- 'one stakeholder' – one stakeholder voiced a perspective
- 'a few' – four or five stakeholders shared a view
- 'some'/'many' – up to 15 stakeholders shared a view
- 'most'/'the majority' – almost all stakeholders.

The report mirrors the structure of consultation questions in the paper (which are reproduced in full throughout this report) and provides a high-level summary of the key points raised in response to each as well as other issues that surfaced during the consultation process. It does not purport to go into detailed analysis or commentary; rather its purpose is to provide a reference for the Business Council on the range and weight of views expressed.

The only contextual point we would make is that some stakeholders' positions were – predictably and not unreasonably – shaped by their immediate interests, meaning that their inputs need to be considered through a lens of experiences with funding arrangements, broader concerns about engagement with the two sectors, and different levels of understandings of current issues at a system level.

2 General reaction

This section provides an overview of the general reaction of the tertiary education sector and its stakeholders to the Business Council's paper: specifically, the Business Council's objectives in seeking to influence the policy debate; the value of the Business Council's contribution; the validity of market-based approaches and willingness to work with the Business Council to progress reform.

The Business Council's objectives in seeking to influence the policy debate

- Many stakeholders took at face value the Business Council's intent to make a contribution to improving the design of Australia's tertiary education system. They saw the paper as a helpful vehicle to promote discussion and debate, and acknowledged the employer perspective as both legitimate and valuable. A few stakeholders went so far as to say that it was refreshing to receive input that was unbiased by attachment to either the HE or VET sector.
- However, many stakeholders queried whether it was appropriate for the Business Council to propose wide-scale reform. One, in particular, challenged the right of the Business Council to comment on matters that go to the heart of running an education institution.
- Some stakeholders inferred positions from the paper that reflected a misreading of the Business Council's stated position and led to assumptions being made about the Business Council's agenda. Examples include concerns expressed that the Business Council was:
 - advocating for full fee deregulation
 - questioning the efficiency of universities
 - suggesting that universities were not meeting students' needs.
- Some stakeholders explicitly questioned the motivation of the Business Council in publishing the paper. A few HE stakeholders also wondered about the independence of the Business Council and its ability to develop a position free of party political considerations.

“ We respectfully suggest that the Business Council of Australia has, historically, a partisan image as ideologically locked on to the Liberal National Party Coalition, and just some years ago, its national director was a force behind the Hockey budget, which was widely interpreted as depressing GDP growth.

”
Deakin University submission

The value of the Business Council's contribution

- Many HE stakeholders observed that the paper's proposals on a new tertiary model required further development and a stronger evidence base. Some stakeholders suggested specific reports or research that are relevant to individual proposals. Others made more general requests for further detail on proposals or to understand why specific proposals were put forward. A few suggested discussion was needed on principles beyond those already outlined in the report.
- Most HE providers contended that it would have been more appropriate for consultation to occur prior to the publication of the initial discussion paper so the Business Council could better benefit

from the expertise of the sector. However, one HE provider was pleased that the Business Council was articulating a position instead of asking for the sectors' ideas. This was because the sector has a tendency (in this stakeholder's view) to 'kill' innovative proposals.

- A few stakeholders believed the paper did not offer anything new. These stakeholders argued that the paper either reflected current settings or repeated existing ideas.

“ It is highly unusual that the BCA did not consult extensively with UA nor the higher education sector while developing the paper – and this absence of expert, evidence-based input shows. Consultation from the beginning would have strengthened the higher education sector's understanding of, and support for, the BCA's project, and would have laid a solid foundation for collaboration to develop ideas and proposals.

Universities Australia submission ”

The validity of market-based approaches

- The majority of stakeholders expressed a belief that a well-designed tertiary education market could deliver the desired outcomes. However, they noted the weaknesses in previous experiments with market reform and highlighted the need for careful and detailed design to avoid unintended consequences. We note the discussion paper has a significant chapter focused on the lessons learned from the last decade of reform which informed the design principles for the proposed reforms.
- One stakeholder, the Australian Council of Trade Unions (ACTU), fundamentally rejected the paper's premise that the market system offered the most effective and efficient framework for the delivery of tertiary education. In its submission, the ACTU stated that “any sensible and effective review of Australia's tertiary education system must begin with a fundamental reconsideration of the necessity of a market underpinning education provision.”
- A few others in the HE sector confined their concerns to the extent to which student demand should be driving system settings, especially funding arrangements.

“ Swinburne warns of the consequences of replicating the recent introduction of fully contestable VET funding in Victoria.

Swinburne University submission ”

Willingness to work with the Business Council to progress reform

- The majority of stakeholders expressed a willingness to work with the Business Council to progress tertiary education reform. However, many HE providers set out preconditions for such cooperation – namely, the need for a significant body of additional research to be conducted, more extensive consultation, an expansion of the focus of the paper, and a process of policy co-design.
- The counter view, expressed by a few, was that this would likely stall reform effort well into the future, resulting in a situation of 'too little, too late'. Many appreciated the urgency, in particular, of addressing the imbalance between VET and HE in terms of preferred pathways for school students. This view was shared by HE and VET sector stakeholders alike.

“ ACU would encourage the BCA to work closely with the university sector to further clarify, develop and inform its policy proposals.

Australian Catholic University submission ”

3 Overall tertiary education model

The questions and responses in this section pertain to the proposition that it is useful to think in terms of a tertiary education system, and the Business Council's depiction of its five core elements.

3.1 The concept of a tertiary system

Is there a broad consensus on the need to move to a tertiary system? If not, what is the alternative?

Q1: What is your view on the proposal to move to a tertiary model and why?

Stakeholder response

- Most stakeholders strongly agreed with the need to have a dynamic and well-connected tertiary sector that provides a diversity of options for students, with multiple entry and exit points and the flexibility to move easily between the HE and VET.
- Most stakeholders strongly agreed also on the requirement for a strong VET sector that can compete on an even playing field, noting that the status of VET relative to HE had diminished in recent years. The causes for this were seen to include: concerns about VET quality, a strong 'push' at the school level towards higher education, and a relative decline in funding.
- Many HE providers saw a risk that a more integrated view of the tertiary system might lead to the 'problems in VET' transferring to HE. Further, many HE providers were wary that the proposed reforms might hinder the success of the HE sector, rather than advance the VET sector.

Other issues

- Some stakeholders thought that the key challenges in VET could be addressed without the wholesale changes proposed in the paper.
- Many said that secondary education should be considered in more detail when discussing reforms to the tertiary system, with some arguing that the education system is a tripartite one comprising school, HE and VET. Such comments focused mostly on the role of schools in preparing individuals for tertiary study and on the funding dynamics between the three sectors.
- Many HE providers emphasised the interaction and interdependencies between teaching, research and community engagement. They thought the paper focused too heavily on teaching and learning, with some advocating for a more direct engagement by the Business Council with the impact of the proposed tertiary model on research and research training more generally.

“ A tertiary model which includes the higher education and vocational education and training sectors within a single model would assist in changing community perceptions of VET and enhance the willingness of students to consider the full range of available study options.

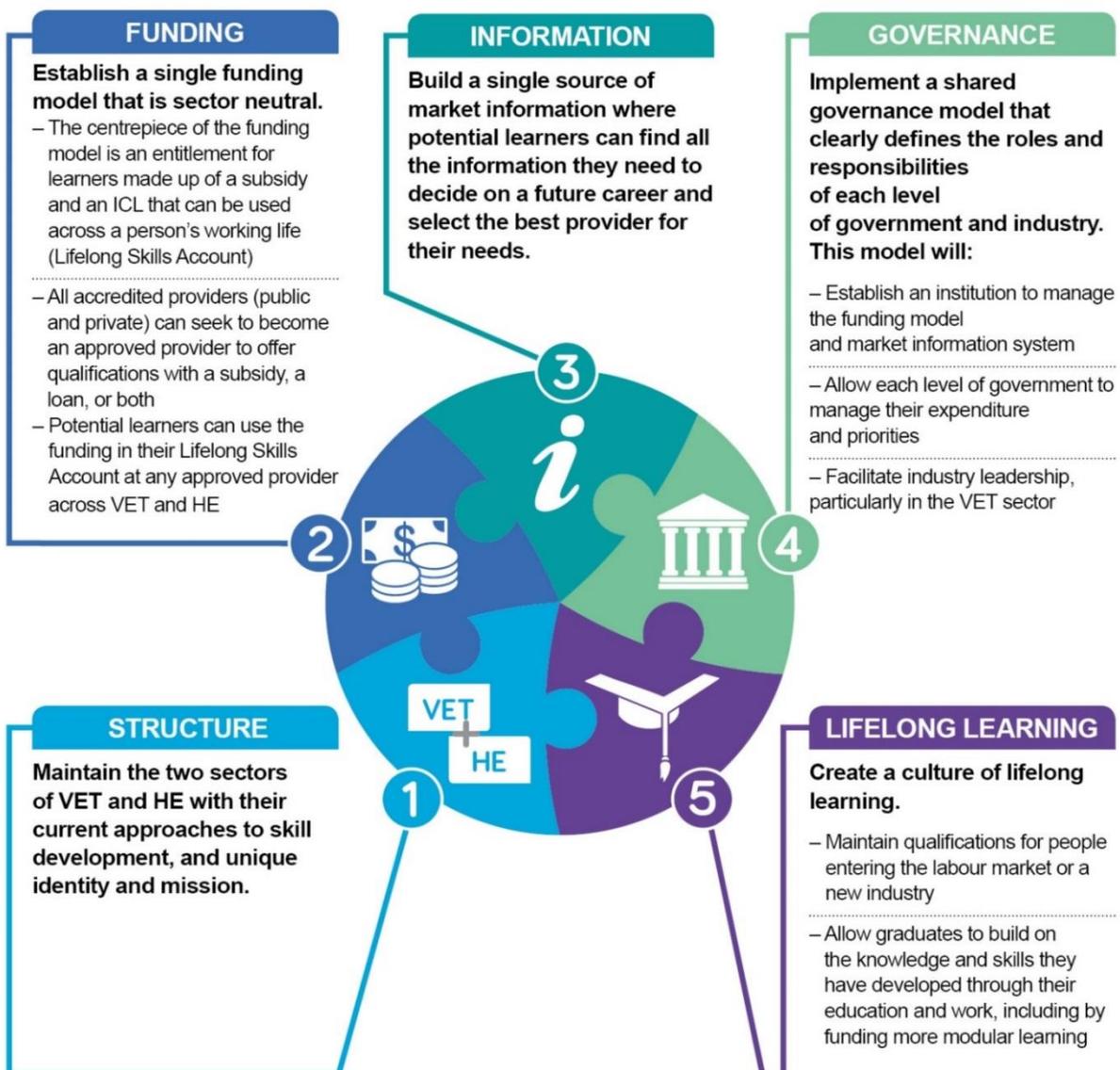
Western Australian Department of Education submission ”

3.2 Five elements of the tertiary model

Will the five elements proposed for the tertiary system provide a strong foundation from which to build an effective, efficient system that will be able to adapt to changing learner needs and economic conditions?

Figure 1 | Proposed Tertiary System

THE BUSINESS COUNCIL'S PROPOSED TERTIARY SYSTEM



Q2: Do you think the proposed five elements of the tertiary system are appropriate and why?

Stakeholder response

- Most stakeholders saw the five elements as appropriate.
- A few stakeholders argued for other elements to be considered, including:
 - product
 - quality
 - the role of employers
 - student income support
 - international education
 - research and research training
 - responsibility for independent expert tertiary education policy advice for governments
 - educating for citizenship.
- A few saw value in having a strong statement about principles associated with the key elements.

Other issues

- None raised.



The five elements are appropriate and important. However, the BCA analysis has little to say about other, equally important elements.



University of Sydney submission

4 Tertiary model proposals

This section addresses the consultation questions that relate to the five components of the tertiary education model, being: structure, funding, market information, governance and the concept of lifelong learning.

4.1 Structure

Proposal 7: VET and HE maintain their unique identities

To support the sectors maintaining their unique identities the current framework for standards and regulation would continue.

- The Australian Qualifications Framework remains the only system-wide standard.
- Current standards in VET and HE would apply.
- ASQA and TEQSA continue to regulate the respective sectors but are given the power to suspend operations to protect consumers where warranted.

Q3. Do you agree that it is important that the two sectors (VET and HE) maintain a unique identity?

Stakeholder response

- Most stakeholders supported the need for VET and HE sectors to maintain unique identities.
- A few stakeholders noted the growing convergence of the two sectors and the need to support greater flexibility for providers to develop education products without sector constraints.

Other issues

- Most stakeholders agreed that the current arrangements for governance, regulation and funding create challenges for providers who operate across, and offer pathways between, the two sectors.
- Many stakeholders noted that some of these structural challenges originated with the Australian Qualifications Framework (AQF) – notably the overlap at AQF levels 5 and 6, and the treatment of short courses and non-traditional qualifications.



Box Hill Group is keen to participate in the evolution of a new model that values, maintains and celebrates the unique identity of the two sectors.



Box Hill Institute submission

Q4. The continuation of sector-specific standards and regulators are designed to support each sector maintaining their unique identity. Do you think any other mechanisms are needed to ensure each sector maintains their own identity?

Stakeholder response

- Stakeholders did not identify a need for other mechanisms to make sure that each sector maintains its own identity.

Other issues

- Many stakeholders from both sectors support the simplification of regulatory requirements. One provider peak-body representative said that attention needed to be given to providing a fit-for-purpose regulatory regime that supports, and does not stifle, a high-quality, responsive tertiary sector.
- The point was made by a few providers that there were a growing number of dual-sector providers who have to manage within two different regulatory and funding environments, which can be confusing and difficult.
- Stakeholders were divided on the merits of a single or dual regulator model. Many stakeholders thought that a single regulatory body would decrease regulatory burden and enable a more diverse training market. Some saw the separate entities as one reason that VET has 'junior status' in the system.
- However, there were also many stakeholders who did support a merger of the Australian Skills Quality Authority (ASQA) and the Tertiary Education Quality and Standards Agency (TEQSA), believing that separate regulators would allow each sector to maintain its respective identity.
- Many stakeholders argued that, because the AQF envisages education as a linear progression, it militates against seamless movement in and out of different qualification areas. On that point, a few stakeholders proposed the introduction of a new standard to better accommodate short specialty programs and/or modular learning across the VET and HE sectors. This would facilitate both 'horizontal' and 'vertical' movement by students within the system.
- Many VET stakeholders expressed the view that the regulators are holding them back due to an overbearing approach to compliance. They thought there should be more flexibility for providers to deliver to quality standards, particularly if there is a strong track record of performance. On that point, a few Technical and Further Education (TAFE) providers expressed the view that TAFEs should be able to self-accredit (to some extent at least) in the way that universities can.



[We recommend] a single Australian regulatory body for both VET and Higher Education to decrease this burden and provide a more diverse training market.



National Centre for Vocational Education Research submission

Q5: Do you think the proposed new institution (the body that will contract manage funding the LSAs and the market information platform) needs to differentiate between the two sectors?

Stakeholder response

- Few stakeholders engaged with this question and when they did, responses varied.
- Stakeholders in favour of differentiation emphasised the differences between the two sectors including their respective governance arrangements, missions, and legislative basis.
- One HE representative said that if a single funding model were adopted, the amount of funding that different providers received would need to vary based on their respective research profiles.
- Stakeholders against differentiated treatment of the two sectors argued that student movement between VET and HE would be easier with an institution that covered both sectors.
- One HE representative said that the proposed new institution would not need to differentiate between the two sectors if generally-agreed principles were adhered to and applied across both sectors.
- Another stakeholder made the point that it would be difficult for a body to operate in a way that sufficiently took account of both VET and HE perspectives, meaning that there would be a risk of flawed or unbalanced decision-making.

Other issues

- None raised.

“ A single body across the two sectors will be sufficient, as long as generally agreed principles (such as differentiated funding models) are adhered to. ”

University of Canberra submission

4.2 Funding

Proposal 8: Lifelong Skills Account (LSA)

Establish a single funding model that is sector neutral, with the centrepiece of the funding model being a Lifelong Skills Account, including:

- Access to a government *subsidy* for the accredited learning in VET or HE (with a lifetime cap of a set number of years of accredited learning e.g. 10 years)
- Access to an *income-contingent loan (ICL)* for accredited learning at AQL Levels 5-9 (with a lifetime cap to be determined).

All accredited providers (public and private) can seek to become an approved provider to offer qualifications with a subsidy, a loan or both.

Potential learners can use the funding in their Lifelong Skills Account at any approved provider across VET and HE and will thus have the choice about what they study and where.

A separate fund is established where businesses can directly access government support to develop their workforce.

Q6: What is your view on the proposal to create a Lifelong Skills Account, and why?

Stakeholder response

- Most stakeholders agreed with the concept of a lifelong entitlement to support learning across VET and HE, and that any entitlement be comprised of some mix of subsidy and income contingent loans.
- Many thought that implementation of the LSA would be difficult given the nature of Australian federalism and the diversity of views on what the LSA should or should not include.
- Many expressed scepticisms that governments would sustain a long-term funding and policy commitment.

Other issues

- A few stakeholders suggested that the LSA could be extended to include access to support for living costs during study, noting that providing for living costs is consistently an issue that inhibits students from learning but is not currently accounted for in tertiary funding.

“ The LSA provides an elegant and positive funding mechanism which allows equitable access to life-long skills development.

Bond University submission ”

Q7: Do you support the principle that the contribution by learners should be based on the cost of the learning and the ratio of public and private benefit, and why?

Stakeholder response

- There was no consensus on how the contribution of learners should be calculated.
- Most stakeholders considered the proposed method for subsidy calculation as fair and reasonable, but not practical. Specifically, they argued that:
 - Metrics of public benefit and private benefit are highly subjective and cannot accurately be determined in a consistent manner.
 - Public/private benefit calculations may not be meaningful at a regional or local level.
 - The cost of design and implementation would be too great.
- Alternative approaches to calculating the contributions were not offered.

Other issues

- HE providers and community colleges generally opposed the introduction of any upfront fees, seeing this as creating an unnecessary financial barrier to education.
- Many HE stakeholders argued that HE should be fully subsidised by Government.

“ In a general sense, UWA supports the principle that the contribution by learners should be based on the cost of learning and the ratio of public to private benefit.

”
University of Western Australia submission

Q8: Should there be a cap on the subsidy and/or the ICL? If so, how should it be determined?

Stakeholder response

- Many stakeholders opposed the proposal of a capped limit on accessible funds within an ICL scheme for two main reasons:
 - Financial caps on ICLs might disadvantage learners who make a ‘false-start’ to their education.
 - Capping loan support could inhibit learners from pursuing advanced qualifications, which would run counter to the objective of lifelong learning.
- Most argued that, if there were to be caps on the ICL component, learners should be able to recharge their credit once they had fully or partly repaid incurred debts.
- Opposition to any time limit (e.g. the 10-year one offered as an example in the paper) diminished once it was understood that it was not 10 consecutive years but rather 10 years of FTE training within the AQF 1-9 levels.

- That said, most stakeholders argued that most students were unlikely to exploit the entitlement and that costs to the sector of regulating for outliers would outweigh benefits. For that reason, they did not support the concept of a time limit.
- A few stakeholders saw merit in caps to:
 - encourage learners to optimise their spending
 - provide downward pressure on prices charged by providers
 - ensure government spending remains within a sustainable range.

Other issues

- One stakeholder suggested a two-tier system, whereby further bespoke loans, beyond the initial cap, could be accessed through a competitive application process.



Despite the name given to it, a LSA may limit lifelong learning, by preventing those students who have reached the subsidy or lending cap from doing further study.



The University of Melbourne submission

Q9: Do you support the establishment of a separate fund that businesses can access to develop their workforces, and why?

Stakeholder response

- Most stakeholders did not support the creation of a separate fund to support businesses. Reasons included:
 - Business already benefits from public investment in education through the skilled graduates they employ.
 - There is no policy basis for diverting funds in the proposed manner.
- A few accepted that there was value for small-medium sized enterprises to be able to access assistance to train their workforces. They saw it as a potential complement to demand-driven funding by targeting specific skills shortages or needs not currently met by the tertiary system.
- One stakeholder argued that a separate fund was not simply a 'gift' to the business community but did in fact support the concept of lifelong learning and sustainability in the labour market.

Other issues

- Many argued that a better approach to a publicly-funded arrangement would be the introduction of a training levy on business, the proceeds of which could then be used to establish an industry fund.



Investment in public education should remain the highest priority. One potential option for businesses to develop their workforce could be to establish a training program that is funded by employers (e.g. a training levy), which would enable employers to invest directly where they require it.



La Trobe University submission

4.3 Single platform for market information

Proposal 9: Build a single platform for market information

Governments agree to build a single source of market information across tertiary education that is designed around a potential learner's decision-making process. Potential learners can find all the information they need to decide on a future career and select the best provider for their needs.

New data sets will need to be created, including but not limited to:

- the cost of delivering tertiary education, at a course level
- the private return from tertiary education, at a course level
- the average length of time it takes learners in a course to repay loans.

Government funding (subsidy or ICL) is conditional on providers making a core set of data for each qualification available on the website or portal.

Q10: Market information has been an issue in tertiary education for at least a decade. What are the barriers to building a single platform, and how can they be overcome?

Stakeholder response

- There was general agreement that market information has been an issue in the past. However, the extent that it remains an issue today was contested by HE stakeholders, citing Quality Indicators for Learning and Teaching (QILT) and improved admissions transparency.

Other issues

- While there was broad agreement that more could be done to make VET data accessible and useful to learners, the proposal to create a single platform for VET and HE market information was not supported by the majority of stakeholders. Reasons included:
 - The volume and diversity of VET providers and their offerings would create confusion when combined with HE provider information.
 - The assumed costs involved to establish the platform would outweigh any benefits.
 - An expectation that there would be duplication of information already made available by individual providers.
 - Complexity of the sectors would make it difficult to reach agreement on common metrics.
 - Increased information would not directly lead to improved learner decision making.
- On the latter point, some stakeholders argued that improvements to career counselling and advice would deliver better value than further investment in information platforms.
- A few stakeholders expressed the view that government is not the right entity to put market information together and said the market should be allowed to respond instead.
- A few argued that information should have a global perspective as students seek opportunities overseas.

- A few stakeholders noted also that the labour market is dynamic meaning that information available today might not remain relevant over the length of a tertiary course, let alone a 50-year career. This point was amplified by several stakeholders who, on the assumption that school-leavers were the primary target, noted that very few people worked in the career that they had planned to when they were finishing school.



It may be beneficial for VET students to be able to meaningfully compare institutions in a similar manner to how individuals can compare universities through QILT.



Australian Catholic University submission

Q11: What new data sets will need to be created, and what current data sets will need to be accessed or linked?

Stakeholder response

- A few stakeholders said more could be done to provide useful information to consumers, particularly on longer-term employment outcomes from study and on potential to employment opportunities overseas.
- One peak-body representative said that there should more practical data sets and reports available, as the current data sets and reports are of little value to students in making critical decisions respectively on choice of program and provider. The specific information required would need to encompass: the location of the provider, availability of courses, course costs, and what jobs are available on course completion.

Other issues

- Most stakeholders were resistant to the idea of collecting more data. Reasons provided include:
 - The amount of data that already exists. Some stakeholders argued that further data collection would only add to regulatory burden and may yield little new value for learners.
 - The difficulty to produce a nationally-meaningful view on data items such as 'price' and 'private benefit'.
 - The cost to support the collection of further data from students, providers and employers.
- Many stakeholders noted that the same qualification could produce different employment outcomes in different labour markets. It was important, therefore, to retain access to localised student information that otherwise might be lost in a national platform.
- A few stakeholders suggested that improved timeliness of data would be of equal or greater value than the addition of new data sets. An example would be real-time, or at least more timely data on provider performance and outcomes, as well as on adverse findings on regulatory matters.
- A few stakeholders observed that the proposed datasets for the platform seemed to be directed more to governments, funders and regulators; they did not seem to be as useful for learners as decision-makers.
- A few providers believed further research was required to inform a response including levels of usage and utility for students, families and providers of existing platforms; and, an audit of existing data

currently collected by governments that could be used without need for additional surveys or reporting requirements.

“ The starting point for a single platform should be the integration of data from existing sources. The MyFuture website contains considerable data regarding education, training and occupations, much of which could be valuable in this context.

Western Australian Department of Education submission ”

Q12: What are your views on the Business Councils' proposed approach for a learner's decision-making process?

Stakeholder response

- Many stakeholders welcomed the explicit focus on lifelong learning. However, there was limited engagement on the detail of the learner decision making process and most stakeholders referred only indirectly to the Business Councils' proposed approach for a learner's decision-making process (as set out in the infographic in the paper).

Other issues

- There was general agreement that learners needed support in their decision making, but most stakeholders questioned the value of information alone. They argued for a focus on ensuring meaningful engagement with information, rather than rely on passive uptake.
- A few stakeholders expressed scepticism about the extent to which information drives learner choice. They noted that some students make decisions based on provider brand and prestige, knowing that this is also what employers often rate as most important.
- Many stakeholders suggested that tertiary information-sharing could be improved through a stronger focus on effective and active engagement between career counsellors and potential students (school-aged learners. This implied a need for:
 - improved connections between market information and quality career advice
 - better equipped school counsellors
 - ongoing coaching and guidance throughout an individual's career
 - outreach by industry, VET and HE to schools.
- A few stakeholders made similar suggestions to strengthen information-sharing with mature learners through quality career advice, coaching and guidance.
- A few stakeholders identified a risk that not all students would have access to data, would necessarily know how to use it, or have support to learn how to use it.

“ Agree that the need for better information to support student and industry choice is a necessary element of the system.

Australian Centre Private Education and Training submission ”

4.4 Governance

Proposal 11: Split of funding responsibilities

Note: this is subject to the outcome of the costing exercise

States and territories have responsibility for funding pre-accredited and foundation studies, noting this funding sits outside the tertiary system; certificates I-IV; any base funding needed to make the public provider sustainable.

The Commonwealth has responsibility for funding diplomas, advanced diplomas, bachelor degrees; income-contingent loans; training and research more broadly, noting this funding sits outside the tertiary system.

To ensure there is no cost-shifting, all governments should commit to maintaining their current funding levels for a minimum of 10 years with a review at 5 years.

Q13: Do you agree with the proposed split of funding responsibilities between the different levels of government? If not, what alternative approach would you propose, and why?

Stakeholder response

- Many agreed with the proposed delineation of Commonwealth/State responsibilities for AQF levels 5-9 and AQF levels 1-4 respectively, thinking it would provide useful simplification and clarification. Some providers saw the proposal as largely reflecting the current situation, despite shared arrangements for the funding of VET AQF 5 and 6 levels (i.e. Commonwealth through VET student loans and States and Territories through training subsidies).
- However, many providers also noted that any split of funding responsibilities would perpetuate the current challenges of inconsistency in policy and funding decisions between the two levels of government. This would be most particularly an issue for providers that operate across both sectors and/or multiple AQF levels.
- A few stakeholders expressed a strong interest in the need for regional discretion and control, but were uncertain about how this could be made to work within a national framework.

Other issues

- Alternative propositions raised by individual stakeholders included having:
 - the Commonwealth assume responsibility for all tertiary education to provide more generous and stable funding
 - the Commonwealth 'run TAFE'
 - funding aligned to educational sectors rather than levels of government to maintain sector independence.
- Many HE providers and a HE peak body were concerned about the proposal to 'lock in' funding models for 10 years as they were wary of reallocation between sectors being done on a zero-sum basis.



We agree with the proposed split of funding responsibilities, but the key issue is that overall, sufficient funding must be available.



Regional Universities Network submission

Q14: There are some concerns that hard lines between levels of government in funding responsibilities can lead to perverse behaviour. If you have these concerns, what alternate model do you propose?

Stakeholder response

- There was limited engagement with this question. A few stakeholders, particularly through prompted discussion, advocated for all tertiary education to be funded by the Commonwealth to reduce complexity and eliminate cost-shifting. Several said they would still like states and territories to have the ability to respond to local needs but could not offer ideas on how to make this work.

Q15: Do you support state governments providing base funding to TAFEs to ensure their sustainability? If not, what approach would you propose to ensure sustainability?

Stakeholder response

- There was limited engagement with this question. A few HE stakeholders supported the concept of state governments providing base funding to TAFEs to ensure their sustainability in the sector, with one seeing such funding as a means for TAFE institutions to address thin markets (both in terms of program offerings and delivery location).
- One stakeholder said base funding for TAFE should be provided where required to support skills development in thin markets. The same stakeholder noted the 30-40 per cent price differential between 'modern awards' and typical TAFE enterprise agreements, which makes it difficult for TAFEs to compete with private RTOs on teaching costs.
- One peak provider acknowledged that legacy costs associated with infrastructure and workforce agreements can make it difficult for some TAFE outlets to compete with private providers. For this reason, the stakeholder agreed with the need to provide ongoing support to TAFEs but said that subsidies should be transparent and should not apply to those training programs that were part of the contestable market.

Other issues

- A few VET providers argued that base funding to support community service obligations or address thin markets should be made contestable. Funding for these programs could be tested in the marketplace to ensure best value for money.



State governments should provide base funding for TAFEs to ensure sustainability in the sector.



Deakin University submission

Proposal 12: Methodology to determine subsidy rates

The level of government subsidy that will be available for each qualification is set by:

- identifying a cost-reflective price (derived from the costing exercise undertaken by the new institution) and the ratio of public and private benefit
- overlaying the relevant government priorities, including managing budget exposure.

The subsidy level may differ between jurisdictions, including the availability of any subsidy (reflecting both the overall funding levels and the jurisdictional priorities).

Governments will determine for each student cohort the level of fee deregulation, including whether providers will be permitted to charge above a cost-reflective price and margin.

The final list will be subject to approval by the Ministerial Council.

The new institution distributing the funding will quarantine each jurisdiction's contribution to ensure appropriate expenditure.

Q16: What are your views on the proposed methodology to determine subsidy rates?

Stakeholder response

- There was no consensus on the merits of a cost-reflective price, though most stakeholders agreed on the value of determining what resources were typically required to deliver quality education.
- A few HE stakeholders questioned the merits of demand-driven funding based on the potential for an oversupply of students in some fields. To better align supply with economy-wide demand, they argued for much stronger links between price and margin on the one hand, and industry demand on the other.
- Many providers across sectors were concerned that a cost-reflective price would not appropriately account for the costs of educating different types of learners; delivery in different locations; and the need to adequately support research. A few observed that an unintended consequence of a cost-reflective price could be a less diverse sector.
- Some government stakeholders argued that a cost-reflective price was too complex to implement, noting that they currently follow a similar model but were looking for alternatives.
- Most stakeholders agreed that each level of government should manage their own expenditure and priorities, with the exception of VET providers who operate across jurisdictional boundaries. These providers seek greater consistency across jurisdictions.

Other issues

- One stakeholder proposed the inclusion of a subsidy floor or cap to avoid significant variation from the identified ratio of public and private benefit across jurisdictions. This could be a set amount or a percentage of the cost-reflective price.
- Stakeholders who (mis)interpreted the paper as being in favour of fee deregulation expressed opposition to the concept of a cost-reflective price, seeing it as potentially undermining the market driven system. They thought also that it would give a competitive advantage to established high-ranking universities and deter students from low socio-economic backgrounds from enrolling.



Cost is a doubtfully useful concept to determine Government funding amounts in designing an effective financing system.



Innovative Research Universities submission

Q17: The governance model has been designed with safeguards to prevent cost-shifting between levels of government as well as cost blow-outs.

These include:

- 17.1: Proposing that each level of government commit to maintaining current funding for 10 years, with a review at five years.
- 17.2: Proposing that when a government transfers funds to a new institution, the new institution will quarantine funds for each jurisdiction's use.
- 17.3: Proposing the responsibility for qualifications eligible for ICLs rests with the same level of government that fund ICLs (the Commonwealth).
- 17.4: Proposing that the government that funds the qualification also sets the subsidy provided.
- 17.6: Proposing that governments will determine the level of fee deregulation for each student cohort, including whether providers will be permitted to charge above cost-reflective price and margin.
- 17.6: The ongoing monitoring of all funding across the two sectors.

Are these sufficient safeguards? If not, what additional safeguards would you propose?

Stakeholder response

- Generally, most stakeholders agreed that avoiding cost-shifting should be a priority in any tertiary reform and thought that the proposed safeguards were sensible and sufficient.
- A few stakeholders expressed approval for the proposal that government promote sustainability and consistency by committing to funding levels for 10 years. Such comments were made in the context of broader agreement that current funding levels are insufficient.

Other issues

- One stakeholder saw value in a centralised approach to analysing the relationship between expenditure on tertiary education with outcomes from the system. Relevant metrics to monitor for this purpose would include:
 - number of completions
 - employment outcomes
 - ICL repayments.
- One stakeholder suggested that all jurisdictions be bound by complementary policy settings, standardised program design and equitable funding arrangements. They suggested that this could be facilitated through a new National Partnership Agreement.

- Another stakeholder, who did not support the tertiary model overall, acknowledged the value of the proposed safeguards, but thought they reflected a broader issue with 'over-reach' in the ambition of the reforms (including with respect to the role of a new institution).



The university agrees with most of the safeguards suggested. The university also believes that a properly conducted costing exercise will deliver additional safeguards.



University of Canberra submission

Proposal 13: Establish a tertiary system funding and market information institution

The new institution would have responsibility for:

- running the costing and private return exercise
- establishing the initial subsidy rate and contribution ratio for each qualification
- managing the funding system, including the LSA
- distributing and monitoring all funding
- establishing and maintaining the market information
- determining which providers are eligible for government funding (subsidy or ICL)
- contract management of providers
- reporting to the relevant Ministerial Council.

Q18: Do you support the creation of a tertiary system funding and marketing information institution?

Q18.1: Do you support the new institution being a not-for-profit company? If not, what governance would you propose and why would it be preferable?

Q18.2: Who should the Board be chaired by – industry, government, and why?

Q18.3: Should the board have any policy responsibility, and why?

Stakeholder response

- Most stakeholders opposed the creation of a new institution, seeing it as being either unnecessary or too large. Key reasons cited were that:
 - contract management should not be done centrally
 - there is sufficient oversight of information
 - funding is a matter for governments.
- A few supported the concept of a separate body to handle costing and pricing functions.
- Most who supported a new institution said that it should have a policy role, providing independent advice to government, and that it should be chaired by someone with national credibility from government or the education sector.

Other issues

- A few stakeholders raised points about the expertise required of the new institution and suggested that government did not have a sufficiently sophisticated understanding of market behaviour to

anticipate the unintended consequences of the proposed cost/price exercises that the institution would conduct.

- One HE provider thought the new institution could be established as a federal government agency. Another thought it should be modelled on the (defunct) National Board of Employment, Education and Training.

“ Not convinced that turning over responsibility for what is proposed to be a single platform across the sectors to another institution would solve the fundamental problems. ”

Universities Australia submission

4.5 A culture of lifelong learning

Proposal 14: Create a culture of lifelong learning

- Maintain the current approach to qualifications for people entering the labour market and people moving into new industries.
- Empower graduates in the labour market to create a 'qualification' that meets their skilling needs.
- Allow LSA funding to be used for self-constructed 'qualifications'.

Q19: What are your views on adopting a more modularised approach to skill development to support lifelong learning?

Stakeholder response

- Most stakeholders agreed that modular and abbreviated qualifications are an important component of the lifelong learning concept and becoming increasingly evident in VET and HE.
- A few noted that regulation of quality was a concern for modularised learning.
- A few also argued that the AQF inhibits learners undertaking modularised or short course qualifications.
 - There is currently no allowance for specialist certificates that make up more than 25 percent of a full-time load.
 - Because of the linear progression inherent in the AQF, some people are reluctant to gain a 'lower' level competency, even if it were of value.

Other issues

- One stakeholder said the current bachelor/masters/PhD model had incontrovertible value for the near future. Modular learning or specialist short-courses should therefore be a secondary complement to traditional qualifications.

“ The University of Melbourne fully supports the view that lifelong learning should take on greater prominence in the policy and regulatory framework, and in the design of programs offered by the tertiary providers.

”
The University of Melbourne submission

Q20: Do you support established workers being able to use their LSAs to fund self-constructed qualifications?

Stakeholder response

- Most stakeholders supported the use of LSAs to fund partial qualifications or components of accredited programs from a single provider.
- A few noted that regulatory complications could arise should learners be allowed to construct multi-provider or cross-disciplinary qualifications.
- Many stakeholders suggested that their answer was dependent on further detail on the proposal.
- A few stakeholders agreed that allowing the LSA to extend to self-constructed qualifications would encourage a culture of lifelong learning.

Other issues

- One stakeholder argued that self-constructed diplomas in the VET sector could negate the attempts of state governments to develop skills in priority areas because they weaken signals about the value of certain established qualifications.

“ The ability to utilise LSA's to fund flexible learning would support developing a culture of lifelong learning.

”
Western Australian Department of Education submission

Q21: What role do you think business should play in creating a culture of lifelong learning?

Stakeholder response

- Many stakeholders noted that work placements (work-integrated-learning, internships and cadetships) reflect successful partnerships between HE and industry, but the scope and scale of these should increase.
- Many stakeholders suggested business could take steps to create more overt market demand for what it regards as important in terms of outcomes from the tertiary sector.
- A few stakeholders suggested industry could directly support lifelong learning through more active support of professional development, providing flexible support and time for employees to upskill.
- A few stakeholders suggested industry could co-invest in university research as a means of engaging both students and employees with the learning process.

- A few stakeholders said that business could work with providers to develop tertiary programs. One peak representative noted that industry could be a valuable contributor given that employers' perspectives on workforce changes are critical and should be the foundation for education provision.

Other issues

- One stakeholder suggested that business should work with universities to drive industry innovation and then skill the workforce to enable effective implementation of the innovation.
- A few stakeholders suggested that business play a large role in helping change perceptions about the tertiary system, making the point that employment decisions serve as signals about the relative value of higher education and VET, and the quality of different providers.



Business needs to step up and take a more active role in workplace learning inside universities and businesses, in close collaboration with the university sector.



Universities Australia submission

5 Other issues raised through consultation

In addition to the points raised in response to the specific consultation questions included in the Business Council's paper, stakeholders offered a range of other comments relevant to the further development and potential implementation of the proposals offered. This section outlines those responses.

The role of industry

- Many stakeholders expressed the view that there was insufficient discussion in the paper of the role of business in any tertiary reform. Most stakeholders would like to see the Business Council more explicitly enumerate what businesses individually and collectively currently do and should do, to contribute to VET and HE in Australia.



Universities are also disappointed that the paper does not outline the contribution that businesses can and should make to equipping the nation's young people for the workforce of tomorrow.



Universities Australia submission

Changes in government policy

- On 18 December 2017, after the paper was released in October 2017, the Commonwealth announced a change in policy on demand driven funding, implemented through the Mid-Year Economic and Fiscal Outlook. This change was noted by many HE stakeholders.
- Given this change in policy, some HE stakeholders were concerned that there had been insufficient consideration of the outcomes of six years of demand-driven funding to public universities. A few stakeholders strongly advocated for a review of the demand-driven system as a starting point.
- A few stakeholders incorrectly interpreted the paper as arguing against a demand-driven system.



The most significant policy development since the release of the BCA's discussion paper in October was the Federal Government's announcement on December 18, 2017 that the demand-driven funding system for domestic undergraduate enrolments would be effectively ended, with universities unable to receive Commonwealth funds beyond 2017 allocations.



Swinburne University submission

Feasibility and political reality

- A few stakeholders raised issues relating to the potential implementation of the proposed tertiary system. For example, one stakeholder said the proposed new institution would need to be regarded as a 7-10-year ambition given the politics involved, rather than the 5 years laid out in the paper. A few stakeholders thought that some of the proposals would duplicate previous efforts and create more bureaucracy.
- Many stakeholders identified inherent challenges in reform due to the current state of intergovernmental relations. One stakeholder labelled the current environment as toxic. Further, some

stakeholders doubted the willingness of governments to have an additional national body providing guidance over funding.

“ A new model will only be successful if there is a commitment from all governments and stakeholders. The proposed model is very ambitious, particularly in relation to the establishment of the new institution to administer and [oversee] many aspects of the model.

While it is clear there needs to be reform, it may be that a more graduated approach to that proposal, in particular, would more readily garner the necessary support from jurisdictions and stakeholders.

”
Australian Centre Private Education and Training submission

Regional provision

- While the funding model proposed included loadings for thin markets such as regions, many stakeholders thought the paper could have paid more explicit attention to regional, rural and remote students through a place-based lens. These stakeholders said there needed to be more acknowledgement of the differing needs and circumstances of these students. Further, these needs should be addressed through supplementary funding, assistance and programs over and above the provision of loadings outlined in the paper.
- A few stakeholders also pointed out that regional universities have a regional development function alongside the requisite teaching, learning and research functions.

“ Building regional achievement and attainment remains a challenge, and it is one area that the Business Council of Australia's 'Future Proof' paper fails to address.

”
La Trobe University submission

International students

- Many stakeholders noted that the paper did not address the role, needs and expectations of international students.
- Many HE providers highlighted the importance of international education to Australia as an export industry and the risk policy changes would pose through unintended consequences.

High-need student groups

- Many stakeholders argued for a more explicit recognition throughout the paper of specific high-need cohorts. They thought only limited attention had been given to students either entering the tertiary education system for the first time or after a long absence, and those who were financially vulnerable.
- Stakeholders commented that these students were currently supported by a range of supplementary programs, often designed and delivered at a local level. While the funding model was designed to deliver six outcomes including 'Thin Markets, and disadvantaged learners, are reasonably catered for', stakeholders noted it did not discuss implications of the proposed reforms for programs designed to address the unique and additional needs of these cohorts.

“ Our education system has entrenched inequalities, and participation and completion rates among low [socio-economic status] students and other equity groups remains low, although there have been some recent improvements. These inequalities need to be dealt with in order to realise BCA’s vision of a tertiary education system that is accessible to *all* Australians. ”

Council of Australian Postgraduate Associations submission

Provider groups

- A few stakeholders remarked that certain provider groups did not receive explicit consideration in the paper. These included community college providers, non-accredited learning providers, and providers that cater to large proportions of international students. They argued that such providers required a more tailored approach than that proposed.

“ Adult Learning Australia recommends that the BCA recognise the role of adult and community education in the education/working landscape, particularly in relation to disadvantaged groups. ”

Adult Learning Australia submission

Existing progress

- Many stakeholders requested greater recognition of progress that had already been made against certain issues such as market information, a cost reflective price and the public and private benefit of education that the proposals seek to address. While some of this work is publicly available (such as QILT), it was acknowledged that many of the reports referred to by stakeholders are not in the public domain. This is specifically true for studies that relate to calculating the public/private benefit, costing and pricing.

“ We would suggest, however, that the Paper overlooks the considerable work that has already been done on ‘efficient costing’ and in determining ratios of public and private contribution as well as work on improving ‘market information’. ”

Macquarie University submission

International best practice

- Many stakeholders referred to international best practice and invoked overseas examples when discussing the elements in the paper. A few providers suggested that the Business Council draw more heavily on the experience of reforms in Germany¹ especially, as well as New Zealand, the Netherlands, Singapore, England and Scotland.

“ There are international models in place where these differences have been accommodated under a single funding system. For example, in New Zealand, its Tertiary Education Commission plays a role not dissimilar to that the BCA is proposing for its “New Body”, funding VET and HE providers differently, but under a common framework. ”

University of Sydney submission

¹ We note that the chapter 5 of the discussion paper includes a case study of the German ‘dual-sector’ system.

The framing of the paper

- A few stakeholders raised objections to the framing of the paper using the term “Future Proof”. From their perspective this language implies a defensive posture rather than one that embraces change and opportunity.
- Many stakeholders saw potential for greater clarity on how the discussion on the future of education, its purpose and desired outcomes linked to the specific proposals that underpin the tertiary model.
- A few providers commented on the tone of the paper, with one finding it to be ‘patronising’.

“ The paper says, *“Australia should take the wisdom of philosophers, educationalists, intellectuals and public commentators who have pondered the role of education, but we should also bring a modern context that focuses on the world of work and the fundamental role education now has in preparing people for work.”* This implies either that there are no current philosophers, educationalist, intellectuals or public commentators currently researching education systems, or that if they are they have no modern ideas. This is not the case and we think it introduces an unhelpful anti-intellectual flavour to the paper.

Charles Sturt University submission ”

Appendix A Stakeholder consultations

Table 1 | Government and Peak Bodies

Stakeholder	Written submission	Roundtable participation
Adult Learning Australia	X	X
Australian Chamber of Commerce and Industry		X
Australian Council for Private Education and Training	X	X
Australian Council of Trade Unions	X	
Australian Industry Group		X
Australian Technology Network		X
Community Colleges Australia		X
Council of Australian Postgraduate Associations	X	
Council of Private Higher Education		X
Enterprise Registered Training Organisation Australia		X
Group of 8 Universities		X
Innovative Research Universities	X	X
National Tertiary Education Union		X

Stakeholder	Written submission	Roundtable participation
Regional Universities Network	X	X
TAFE Directors Australia		X
Universities Australia	X	X
West Australian Department of Education	X	

Table 2 | Higher Education

Stakeholder	State	Written submission	Roundtable participation
Australian Catholic University	NSW	X	X
Bond University	QLD	X	X
Carnegie Mellon University	SA		X
Central Queensland University	QLD		X
Charles Sturt University	NSW	X	X
Curtin University	WA		X
Deakin University	VIC	X	X
Edith Cowan University	WA		X
Flinders University	SA		X
La Trobe University	VIC	X	X
Laureate International (Torrens University)	NSW		X
Macquarie University	NSW	X	X

Stakeholder	State	Written submission	Roundtable participation
Monash University	VIC		X
Murdoch University	WA		X
Notre Dame University	WA		X
Swinburne University	VIC	X	X
University of Adelaide	SA		X
University of Canberra	ACT	X	
University of Divinity	VIC		X
University of Melbourne	VIC	X	X
University of New England	NSW		X
University of Newcastle	NSW		X
University of Queensland	QLD		X
University of South Australia	SA		X
University of Sydney	NSW	X	X
University of Western Australia	WA	X	X
University of Technology Sydney	NSW		X
Western Sydney University	NSW		X

Table 3 | Vocational and Educational Training

Stakeholder	State	Written submission	Roundtable participation
Ace Community College	QLD/NSE		X
Albury Wodonga Community College	VIC/NSW		X
Box Hill Institute Group	VIC	X	X
Chisolm Institute	VIC		X
Commonwealth Bank of Australia	SA		X
Community Centres SA	SA		X
Enable College	SA		X
EQUALS International	SA		X
Federation Training	VIC		X
JSW Australia	WA		X
Lalor Living and Learning Centre	VIC		X
LLT Group	WA		X
Macquarie Community College	NSW		X
Mater Education	QLD		X
Maxima Group	SA		X
Open Colleges – Health Division	SA		X
St George & Sutherland Community College	NSW		X

Stakeholder	State	Written submission	Roundtable participation
Staging Connections	NSW		X
TAFE NSW	NSW		X
TAFE QLD	QLD		X
TAFE SA	SA		X
TAFE WA – Central region	WA		X
TAFE WA – North Metro	WA		X
Wodonga TAFE	NSW		X

Table 4 | Other participants

Stakeholder	Written submission	Roundtable participation
Council of Australian University Librarians	X	
Education Export Services	X	
Make Your Point	X	
National Centre for Vocational Education Research	X	

Table 5 | Interviewees

Name/Position	State	Interviewed? Yes/No	Date of interview
Deputy Secretary, Dept. Education and Training	VIC	Yes	11 December 2017
Secretary, Dept. of Industry	NSW	Yes	15 December 2017

Name/Position	State	Interviewed? Yes/No	Date of interview
Dept. Training and Workforce Development	WA	Yes	19 December 2017
Deputy Secretary, DPC	NSW	Yes	10 January 2018
Secretary, DPC	VIC	Yes	11 January 2018
Deputy Secretary, Dept. Education and Training	VIC	Yes	31 January 2018
Chair, Group of 8 universities	AUS	Yes	1 February 2018
Principal Adviser to Martin Bean, VC of RMIT University	VIC	Yes	2 February 2018
Director, Workforce Policy and Strategic Relations, Skills	TAS	Yes	7 February 2018
Chair, Universities Australia	AUS	Yes	12 February 2018
Secretary, Dept. Education and Training	VIC	No	N/A
D-G, Dept. Education	WA	No	N/A
Secretary, Dept. Education and Training Australia	AUS	No	N/A