

A leaked draft paper prepared by the federal government for the Council of Australian Governments (COAG) proposes that the Commonwealth assume responsibility for funding Australia's vocational education and training (VET) system.

VET is currently funded under a shared funding agreement between the Commonwealth and the states. The states contribute A\$4 billion and the Commonwealth \$3 billion. The states fund VET providers including TAFE, while the Commonwealth operates VET FEE-HELP, under which VET students in diplomas and advanced diplomas can access an income-contingent loan to meet the costs of course fees.

Taking into account outlays through VET FEE-HELP, the Commonwealth contribution now exceeds state contributions in any one year.

The draft paper proposes that the federal government assume full funding for "mainstream" VET qualifications by bringing together subsidies and income-contingent loans in areas of national skills priorities. Funding would be fully competitive, with the Commonwealth funding TAFE at the same rate as other providers. Student fees would be deregulated.

The states would retain responsibility for ownership and management of their TAFE systems. The states could fund TAFE but only to the extent required to ensure "competitive neutrality" with other providers.

The proposal has drawn an adverse reaction from two state VET ministers. In the light of experience with the abuse of the Commonwealth's VET FEE HELP scheme, they have expressed doubt that the Commonwealth can run a national VET funding system effectively.

Other critics [focused](#) on the proposed market funding model and its implications for TAFE.

In considering the Commonwealth's proposal, it is important to separate which level of government should fund VET from how VET should be funded – including the important role of

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TAFE as the public VET provider.

At the outset it must be recognised that the VET funding system is failing. Funding for VET by all states and territories [has declined since 2013](#) .

Subsidies for many courses have been reduced or removed altogether. Thousands of VET students are facing higher upfront fees but cannot access income-contingent loans; other students are accruing high debts under VET FEE HELP. Publicly funded VET enrolments are in decline.

There is also a [serious and growing imbalance](#) in funding between higher education and VET.

The fundamental problem with the system is that no single level of government is fully responsible for VET funding. Under the current agreement, the states can reduce funding for VET while continuing to receive the same (or even) additional Commonwealth funding.

The Mitchell Institute has argued for a national tertiary education funding model across VET and higher education. Under this model, government would establish and fund all providers through an effective price required to deliver quality outcomes. All tertiary students would be able to access income-contingent loans.

The institute has modelled [the settings required](#) to extend income-contingent loans to VET Certificate III courses.

The Commonwealth proposal is broadly consistent with this approach and requires serious consideration. The Commonwealth has emphasised that the paper is a draft.

How VET is funded under a national system then becomes an important policy and design issue. It is therefore disappointing that the Commonwealth paper defaults to a simplistic, market-driven VET funding model based primarily on lowering costs and increasing efficiency,

including competition through fee deregulation.

There is now ample evidence of the damage simplistic VET market funding models have done to the quality and reputation of the VET system – and to individuals' lives.

Experience has shown that, given the opportunity, unethical and opportunistic providers driven by the chance to access public subsidies at minimal cost will do so – most recently in relation to [VET FEE HELP](#).

High-quality and reputable public and private providers cannot operate effectively when unethical providers offer quickie qualifications at minimal or no cost to individuals.

The publicly funded VET market is an entirely publicly funded government construct. There are 1800 providers accessing public funding in Australia. A sophisticated funding and contractual model is required through which governments can fully assure students and employers that all providers they have contracted to deliver VET will do so at a fair and reasonable price and with rigorous and consistent assessment of learning outcomes.

It is also clear that state governments and the community will not allow their substantial, accessible and broadly based TAFE systems to be run into the ground by not funding the direct and indirect costs of TAFE as the public VET provider. There are huge financial and political risks for the states in handing over VET funding to the Commonwealth and then having to manage community and industry expectations.

A contemporary national vision of the role of TAFE, how it should be funded and how it should operate is required as part of any new national VET funding system. This system should form part of an overall tertiary education funding framework to ensure balanced investment between VET and higher education, facilitate co-operation between the sectors and provide better pathways for students.

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University is a public VET provider.

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