Developing the Training Market. Issues and Best Practice Arising from State/Territory Pilot Activities.

Western Australia Dept. Training, Perth.

Australian National Training Authority, Brisbane.

1996-01-00

71p.

Australian National Training Authority, GPO Box 3120, Brisbane 4001, Queensland, Australia.

Reports - Research (143)

Access to Education; *Competition; *Delivery Systems; Educational Demand; Educational Needs; *Educational Policy; Educational Practices; Educational Quality; Educational Supply; Foreign Countries; *Free Enterprise System; *Industrial Training; National Programs; Postsecondary Education; Public Policy; Statewide Planning; Training Methods; *Vocational Education

Quality Assurance; *TAFE (Australia)

Competitive tendering processes have emerged within Australia's vocational education and training (VET) sector as part of a more general drive to increase efficiency and effectiveness in public administration and government program delivery. Despite the persistence of several issues and stakeholder concerns that must be explored and resolved, Australia's states and territories have adopted a variety of approaches to competitive tendering of VET delivery. There is increasing consensus on the following issues: direct competition between private and public training providers is preferable; a preferred provider approach can increase efficiency; minimum acceptable standards of quality can be achieved through compliance with accreditation and registration requirements and ongoing evaluation of competitive tendering processes; and partnerships/joint ventures are a practical means of achieving increased efficiency and effectiveness. Among the issues requiring further consideration are the following: ensuring processes to achieve equity and access in VET; developing appropriate costing mechanisms to achieve maximum advantage from publicly funded infrastructure; giving clients adequate information to make informed choices; and developing processes for handling student tuition fees and other administrative arrangements within the context of the competitive training market. (The report contains 39 references. Appended are overviews of open market training activities in Australia’s states and territories.) (MN)
Developing the Training Market

Issues and Best Practice Arising from State/Territory Pilot Activities

January 1996
An Australian National Training Authority funded National Project, managed by the Western Australian Department of Training.

All copyright in this document vests in ANTA. ANTA will allow free use for such material as long as ANTA's interest is acknowledged and the use is not for profit.

The views and opinions expressed in this document are those of the author and the project team and do not necessarily reflect the views of the Australian National Training Authority.
Members of the Project Team

Chair: Dr Susan E King, Western Australian Department of Training

Ms Kareena Arthy, Australian National Training Authority

Ms Jessie Borthwick, Australian National Training Authority

Mr Peter Gordon, Australian Capital Territory Vocational Training Authority

Mr Lionel Ward, Australian Capital Territory Vocational Training Authority

Mr Peter Dowling, Commonwealth Department of Employment, Education and Training

Mr Robin Shreeve, New South Wales TAFE Commission

Ms Marie Aloise, Northern Territory Employment Training Authority

Mr John Cossons, Northern Territory Employment Training Authority

Dr Charles Henderson, Queensland Vocational Education Training and Employment Commission

Ms Fran Colley, South Australian Department for Employment, Training and Further Education

Ms Nicole Gilding, South Australian Department for Employment, Training and Further Education

Dr Richard Watkins, Tasmanian Department of Industrial Relations, Vocational Education and Training

Mr Michael McQuillen, Victorian Office of Training and Further Education

Ms Sue Christophers, Victorian Office of Training and Further Education

Project Manager: Ms Meryl P Cruickshank, Western Australian Department of Training, Phase One and Two, (January, 1995 to January, 1996)

Ms Linda McLain, Western Australian Department of Training, Phase One, (June, 1994 to January, 1995)
Foreword

This document is the final report on the National Project, Developing the Training Market, funded by the Australian National Training Authority (ANTA), managed by the Western Australian Department of Training and assisted by a National Steering Committee comprised of key State/Territory and Commonwealth stakeholders.

The report is intended to outline the process and practices introduced by State Training Agencies or associated bodies, to stimulate the development of a more open and competitive training market.

The report emphasises competitive tendering processes being used to allocate public funding for the provision of vocational education and training. It provides a guide to current and emerging practices, and documents a wide range of strategic and operational issues.

Issues and concerns raised by competitive training market stakeholders during extensive consultations, undertaken in Phases One and Two of the project, are reflected in this report. Phase One spanned from June 1994 to April 1995, and focused on identifying best practice approaches and emerging market issues. Phase Two spanned from April 1995 to January 1996, and concentrated on the elaboration of the key issues and themes identified in Phase One.

A particularly challenging aspect of the project was the ever expanding and changing aspects of competitive tendering processes in many States and Territories. Despite the many complexities influencing the development of competitive tendering processes, the report aims to assist State Training Agencies through the provision of information and the discussion of issues, to either commence or expand activities which will open up the training market to competition.
PROJECT MANAGEMENT AND DIRECTIONS

The Developing the Training Market National Project was funded by the Australian National Training Authority (ANTA) and managed by the Western Australian Department of Training, assisted by a National Steering Committee comprising representatives from key State/Territory and Commonwealth vocational education and training authorities.

The project comprised two consecutive phases, Phase One commencing in June 1994 and Phase Two being completed in January 1996.

The project was linked to another ANTA National Project Establishing an Effective Australian Training Market, conducted in 1994 by the Victorian Office of Training and Further Education using the services of the Allen Consulting Group. That project focussed on determining the extent and character of the training market, the patterns of competition within the VET Sector and the trends and accomplishments of current market practices. The outcomes of that study became the background for the present project which has focussed on issues and best practice emerging from State/Territory pilot activities which have used competitive processes to allocate training funds within the VET Sector.

It is intended that the report describe competitive tendering processes, issues and practice which have been effective in particular contexts to assist the further diversification of the competitive training market.

COMPETITIVE PROCESSES WITHIN AUSTRALIA

Increased application of competitive processes within the VET Sector in Australia has occurred as part of a more general drive to increase efficiency and effectiveness in public administration and government program delivery. International strategies as well as Australian public sector policy development have provided the impetus. Within Australia the forces for change include: the Deveson Report Training Costs of Award Restructuring (1990); the Hilmer Report on National Competition Policy (1993) and related Council of Australian Government (COAG) developments; the Commonwealth Government's Working Nation White Paper which stressed competition between public and private providers of training and related services; ANTA priorities; and, State/Territory public sector reforms, including changes to VET administrative arrangements.

OPTIMAL FUNDING LEVELS FOR COMPETITIVE PROCESSES WITHIN THE VET SECTOR

There is emerging consensus that substantial VET delivery could be funded through competitive tendering processes although there are further issues which need to be explored and resolved which gives grounds for an incremental approach.

"GOOD" PRACTICES

States/Territories have adopted different approaches to competitive tendering of VET delivery. Nonetheless, a consensus appears to be emerging that:

- direct competition between private and public training providers is preferable to a quarantining approach (i.e. an approach in which funds are set aside for private providers to access through a competitive process), unless there are particular circumstances which dictate otherwise;
- there is no "best way" for handling submissions, although there is agreement that whatever the process it should be: open/transparent; simple in its application; not overly bureaucratic; and, based on achieving quality outcomes;
- contracts and agreements need to: be in simple language; be clearly worded; specify the expected training outcomes; stipulate providers are required to participate in monitoring and evaluation procedures; and, be legally enforceable;
- the quality of submissions can be enhanced: if providers are supplied with well presented information packages, which contain clear guidelines/criteria; and, well designed proformas to guide submissions and to streamline bureaucratic practices; and, by conducting regular submission briefing seminars/workshops;
- calls for submissions/tenders should be at a time which would allow successful providers to adequately plan and prepare training delivery. In the event of TAFE Colleges/Institutes being eligible to submit, it would be beneficial for the call to be made after the...
College/Institute has received advice as to its standard profile for the year in question;

- **State Training Agencies and providers can achieve increased efficiencies if contracts are extended to courses of repeat delivery or of longer duration.** This provides training providers with capacity to forward plan, reduce investment costs of those lodging submissions and reduce the administration costs of those administering the process;

- **A preferred provider approach.** (i.e. an approach in which calls for submissions/tenders are not necessarily made but instead a provider (or providers) is approached to deliver a service, based on knowledge of their ability to do so and previous performance) can achieve increased efficiencies, although mechanisms are required to ensure quality training outcomes and to allow new providers entry into the training market;

- **A guarantee of at least a minimum acceptable standard of quality can be achieved: if providers who receive funding through competitive tendering processes comply to accreditation/registration requirements; if submissions are assessed on the basis of obtaining value for money; through the regular monitoring of training provision; and, through the on-going evaluation of competitive tendering processes; and,**

- **Partnerships/joint ventures are a practical means of achieving increased efficiency and effectiveness, but care should be taken that this process does not become an artificial devise to "prop up" public providers.**

**Stakeholder Concerns**

Concerns of State Training Agencies and Training Providers include:

- **Difficulties in preventing "cost shifting".** (i.e. the shifting to the government of training costs previously met by others). States/Territories are generally attempting to prevent cost-shifting by specifying that the training for which funding is sought must be "additional" to that which the provider usually delivers. The issue of cost-shifting in the competitive training market context is, however, part of a larger debate about cost-shifting and the historical origins of funding sources for different types of training;

- **Ensuring access and equity provision is not compromised by competitive tendering processes.** There is little evidence that this has occurred. Selection processes usually specifically address access and equity considerations and submissions are assessed on this basis. Furthermore, competitive processes can be used to focus training activities towards meeting the needs of specific target groups;

- **Preventing the creation of a group of private provider organisations that are largely reliant on government funding.** There was consensus that there will always be a risk of providers becoming reliant on government funding although the very essence of competitive tendering processes provides incentive for diversification as there are no guarantees that providers will always be successful in their bidding attempts;

- **The very nature of competitive tendering processes could threaten the viability of some providers.** While providers need to accept that there is an inherent degree of risk involved in competitive tendering processes, State Training Agencies need to be mindful of the implications on provider viability when planning these procedures;

- **Difficulties in achieving a "level playing field."** Both the public and private providers consider the other to have advantages which allow them to be more competitive. For example, public training providers have ready access to capital infrastructure whereas private providers do not. In contrast, public providers have obligations to the community which may increase their costs. These and other factors can create pricing anomalies which require further investigation;

- **The resource intensiveness of costs of administering competitive tendering processes.** While it is early times, an analysis of the costs for State Training Agencies to administer competitive tendering processes for the 1994/1995 financial year indicate costs are within manageable limits although there is a need for the continued monitoring of these costs to ensure they are maintained within acceptable limits. The "hidden costs" (i.e. those costs incurred in developing submissions) were a source of concern to many providers as they were unable to recoup these costs; and,

- **Inter-State competition.** Providers considered competition irrespective of the source as being a component of the business environment. When providers were operating in
more than one State and accessing funds from different States the duplication of submissions, differences in State policy, quality assurance and accreditation requirements increases the cost and time involved in making submissions.

**ISSUES WHICH REQUIRE FURTHER CONSIDERATION**

Further consideration is required of many of the issues associated with competitive tendering processes. These include:

- **the ramifications of competitive tendering processes in non-metropolitan locations** (i.e. those areas which fall outside the Capital City statistical divisions). While competitive tendering processes in some of the larger rural locations have been effective and were viewed by some providers as having potential to achieve efficiencies the application of competitive processes have been relatively minor to date. However, should the proportion of funding allocated through competitive processes increase, particular attention will need to be paid to this issue to ensure equitable access to training for residents in non-metropolitan Australia;

- **ensuring processes to achieve equity and access in VET.** Additional planning, funding and evaluation practices may be required in order to attract suitable providers and ensure quality provision of courses for access and equity groups. Further support mechanisms may be required for those providers who have the potential to become long-term providers to targeted access and equity groups;

- **developing appropriate costing mechanisms to achieve maximum advantage from publicly funded infrastructure** to achieve increased efficiencies and to assist in accomplishing a level playing field;

- **ensuring adequate information is available to clients to enable them to make informed choices.** The current practice of most States/Territories is to disseminate information on available VET through student handbooks and course information booklets and brochures, based on the State Training Profile. This practice has proved less than satisfactory as promotional materials for the competitive training market as it does not allow the flexibility required to disseminate information on courses developed on short notice to meet the specific needs of industry; and,

- **developing processes for handling student tuition fees and other administrative arrangements within the context of the competitive training market.** As the amount of funding allocated through competitive tendering processes increases, State Training Agencies and/or Treasuries will need to give further consideration to discrepancies which may occur between the public and private sector in the application of fees and charges.

**CONCLUSIONS**

The full implications and cost/benefits of competitive tendering processes are still far from being fully documented. Recent experiences with pilot activities across VET systems suggest, however, that competitive processes can operate effectively to produce increased flexibility and responsiveness in providing training and to achieve positive cultural change within TAFE Colleges/Institutes.

Whatever the future for competitive tendering within VET, recent developments in this area, along with other elements of training reform, are helping to stimulate a more diverse, responsive, customer focused, outcomes-oriented and cost-conscious VET System. Planners and providers are increasingly focusing on both the effectiveness and efficiency of VET provision. Competitive tendering has also helped both planners and providers question the assumptions and conventions underlying traditional VET provision. The spirit of competition, with a focus on cost effective service delivery which meets client needs, can be expected to continue to shape the VET Sector regardless of the specific administrative and other arrangements which emerge.
The following key definitions and concepts have been included to provide the reader with an understanding of those ideas and principles which are helping to shape the development of the training market.

**Access and Equity**
Responsiveness to demographic patterns and community values by reducing barriers which prevent individuals and groups achieving access, equitable participation and equitable representation within the Vocational Education and Training Sector (VET).

**Annual National Report**
A report, provided for in the ANTA Act, to serve as an accountability tool for the VET system. It provides a snapshot of the VET system, both from a national and State/Territory perspective, and is where States and Territories report against their State Training Profile.

**Australian National Training Authority (ANTA)**
ANTA has been established as a Commonwealth statutory authority. It has an industry-based board of acknowledged independent experts to ensure that the Authority is focussed on the needs of industry as well as the needs of the community in general. ANTA is responsible for the development of, and advice on, national policy, goals and objectives, the national strategic plan and state training profiles for endorsement by a Ministerial Council. ANTA is also responsible for the administration of national programs and funding of the VET system.

**ANTA Growth Funds**
Under the ANTA Agreement, the Commonwealth committed to provide $70 million nationally in growth funds in 1993, 1994 and 1995. As these funds are incremental (i.e. $70 million in 1993; a further $70 million in 1994; and another $70 million in 1995), they total $420 million nationally over the period 1993–1995 inclusive. Further increments have since been foreshadowed. The Agreement was also based on the undertaking given by States and Territories that they would maintain their own VET effort in subsequent years.

**Best Practice**
Processes and systems which have proven effective in achieving desired outcomes.

**Competitive Neutrality**
Competition within the boundaries of a universal set of rules and standards to ensure that no one sector, (i.e. public, private or industry) is advantaged over the other.

**Competitive Training Market**
Refers to the "funding market" which has been defined in the Establishing an Effective Australian Market report as "comprising training purchased under all government programs where allocation is by competitive tender rather than direct funding of institutions" (Allen 1994 p 59).

**Competitive Training Market Processes/Activities**
Those systems and processes directed at the allocation of government funding for government training programs by competitive tender.

**Competitive Tendering Processes**
The process of calling for formal submissions for supply of goods or services.

**Expressions of Interest/Submissions**
A statement in writing, which conveys the interest of registered training providers, in providing VET to a stipulated standard and set of criteria.

**"Level Playing Field"**
A situation in which public, private or industry providers are not advantaged, one over the other, through association, infrastructure, funding specifications or government policy.

**Market Based Reforms**
Enter of the public sector into competitive marketing of goods and services as a means to achieving greater efficiency in terms of the provision of quality outputs for least overall resource cost and effectiveness in achieving performance objectives.
**NON-METROPOLITAN**
Those areas which fall outside the Capital City statistical division of States/Territories of Australia which are identified as Metropolitan.

**"ONE STOP SHOPS"**
Advisory intermediaries whose purpose is to improve access to VET information for enterprises and individuals.

**OPEN TRAINING MARKET**
The processes and mechanisms for the broadening and diversification of the range of training providers in the VET sector to:
- generate greater competition within the Sector;
- improve flexibility in training delivery; and,
- better respond to industry and student needs.

**PREFERRED PROVIDER APPROACH**
The practice of choosing a training provider on evidence of past performance and demonstrated ability to achieve quality VET outcomes.

**PROFILING PROCESSES**
Processes by which an agreed training delivery profile for a State/Territory is developed and resourced, consistent with State/Territory and national priorities. Institution level profiles, training delivered through other arrangements (e.g. tendering) and other initiatives, such as those achievement goals set out in the National Strategy “Towards a Skilled Australia” are then aggregated and submitted to ANTA as that State/Territory’s Training Profile for the coming year.

**QUALITY ASSURANCE**
Processes used to ensure that the quality of training, delivery and outcomes are consistent with the standards and expectations specified in the contract between the training provider and the State Training Authority.

**STRATEGIC ALLIANCES**
Business associations or partnerships, whose underlying purpose is to pool expertise, optimise the use of limited resources and provide outcomes which are mutually beneficial.

**STATE TRAINING AGENCY**
A person, organisation or body nominated by a State Minister as the State Training Agency of the State. A State Training Agency has responsibility for VET within the State’s borders consistent with the agreed National Strategic Plan on Training and the agreed State Training Profile.

**STATE TRAINING PROFILE**
Under the ANTA arrangements, each State/Territory submits to ANTA annually a State Training Profile for the next calendar year (including indicative activities for two further years.) The State Training Profile outlines planning processes and priorities, overall training delivery levels (including training activity commensurate with ANTA growth funding), shifts in delivery, inter-State and National Project activities, the capital development plan and other information specified by ANTA in its profile guidelines for States/Territories.

**VOCATIONAL EDUCATION AND TRAINING SECTOR**
Public and Private providers of education and training which provide individuals with the skills and learning required by enterprises and industry which is either:
- funded directly by Government;
- purchased under government programs and made open to competitive tendering; or,
- purchased directly by the user through the open training market.
# Table of Contents

FOREWORD .................................................................................................................. 3
EXECUTIVE SUMMARY ................................................................................................. 4
GLOSSARY ...................................................................................................................... 7

1. INTRODUCTION ........................................................................................................ 11
   1.1. AIM OF PROJECT .......................................................................................... 12
   1.2. INFORMATION GATHERING/CONSULTATIONS ....................................... 13
   1.3. DEFINITIONS AND CONCEPTS ................................................................ 13
   1.4. LINKS BETWEEN THIS PROJECT AND OTHER STUDIES ..................... 14

2. IMPETUS FOR A COMPETITIVE TRAINING MARKET ........................................... 15
   2.1. AUSTRALIAN DEVELOPMENTS IN SUPPORT OF COMPETITIVE PROCESSES .................................................................................. 16
   2.2. STATE/TERRITORY DEVELOPMENTS IN SUPPORT OF COMPETITIVE PROCESSES ................................................................. 19

3. COMPETITIVE TENDERING PROCESSES ISSUES AND BEST PRACTICE .......... 21
   3.1. OPTIMAL FUNDING LEVEL FOR COMPETITIVE TENDERING PROCESSES WITHIN THE VET SECTOR .............................................. 22
   3.2. ELIGIBILITY OF TRAINING PROVIDERS TO COMPETE FOR FUNDING OFFERED THROUGH COMPETITIVE TENDERING PROCESSES ....................................................... 25
   3.3. TYPES OF TRAINING BEST SUITED TO COMPETITIVE TENDERING PROCESSES ........................................................................ 28
   3.4. BEST PRACTICE PROCESSES TO USE IN COMPETITIVE TENDERING PROCESSES ................................................................. 29
   3.5. OPTIMAL TIMING OF COMPETITIVE TENDERING PROCESSES AND BEST METHODS OF LINKING THESE ACTIVITIES TO OTHER PROCESSES .................................................... 32
   3.6. PROCESSES TO ENCOURAGE A WIDE RANGE OF PROVIDERS TO SUBMIT APPLICATIONS UNDER COMPETITIVE TENDERING PROCESSES ........................................................................... 35
   3.7. QUALITY ASSURANCE ................................................................................. 40
   3.8. ACCESS AND EQUITY .................................................................................. 42
   3.9. POSSIBLE IMPLICATIONS FOR PROVIDERS, INDUSTRY AND STUDENTS ............................................................................................. 44
   3.10. COSTING/PRICING ISSUES ...................................................................... 47
   3.11. COSTS OF COMPETITIVE TENDERING PROCESSES ................................ 50
   3.12. NATURE OF CONTRACTS ......................................................................... 51

4. OTHER MATTERS ....................................................................................................... 53
   4.1. USER CHOICE ............................................................................................. 54

5. CONCLUSIONS ........................................................................................................... 55

REFERENCES .................................................................................................................. 57

TABLE 1: STATE/TERRITORY COMPETITIVE TRAINING MARKET PROCESSES ............ 24
APPENDIX: STATE/TERRITORY OVERVIEWS .................................................................. 59
1. INTRODUCTION

1.1. AIM OF PROJECT

1.2. INFORMATION
   GATHERING/CONSULTATIONS

1.3. DEFINITIONS AND CONCEPTS

1.4. LINKS BETWEEN THIS PROJECT
     AND OTHER STUDIES
Introduction

The National Project, Developing the Training Market was funded by the Australian National Training Authority (ANTA) and was managed by the Western Australian Department of Training, assisted by a Steering Committee comprised of representatives from States and Territories, the Commonwealth Department of Employment, Education and Training (DEET) and ANTA. The project comprised two phases of research. The first phase commenced in June, 1994 and was completed in April, 1995. The second phase spanned the period from April, 1995 to January, 1996.

1.1. AIM OF THE PROJECT

The main aim of the project initially was to produce a practical framework which might assist State Training Agencies to either commence or expand activities which will open up the training market to competition. Phase One of the project while being focussed on identifying best practice approaches and issues in the emerging market, identified considerable diversity in competitive training market activities across States and Territories. Consequently practitioners administering competitive tendering processes were generally reluctant to identify best practice in the sense of benchmarks or recommended practices for others to follow. They were willing, however, to identify various "good practices" which appear to have produced desired results in particular circumstances.

As a result the project assumed a new direction. The project was aligned to producing a descriptive account of competitive tendering processes, issues and practices to assist the further diversification of the competitive training market.

The second phase of the project concentrated on the elaboration of issues and themes identified as requiring more work in Phase One, emerging trends, policy positions, operational processes, best practice and implications associated with the competitive tendering of vocational education and training funds.
1.2. INFORMATION GATHERING/CONSULTATIONS

The information gathering and consultation process adopted in the first phase of the project was facilitated by an issues paper which addressed topics such as the extent to which the Vocational Education and Training (VET) Sector should participate in competitive tendering processes, the effectiveness of submission processes and best practice approaches to achieving quality VET products and services within a competitive process. A questionnaire designed to assist in focussing consultation/discussions was forwarded with the issues paper.

A paper entitled Overview of State/Territory Training Market Activities, containing background information on current activities in each State/Territory, was compiled with the assistance of State/Territory Steering Committee members. This was presented as part of the consultation package.

Consultations were conducted in each State/Territory by the relevant State Training Agencies. Further feedback was obtained through a National Practitioners Workshop, held in Western Australia, and through direct input from members of the Steering Committee. Given the somewhat limited nature of the stakeholder discussions, the outcomes achieved from Phase One of the project largely reflected the perspectives of the State Training Agencies. Phase One culminated in a report to ANTA in April 1995 which was distributed to the Chief Executive Officers of all State Training Agencies and a limited number of other interested persons.

Information gathering for Phase Two of the project focussed on obtaining the views of State Training Agency personnel, private and public training providers and selected business enterprises on the processes applied to competitive tendering of vocational education and training funds and related issues. Steering Committee members were consulted in regard to visiting their States/Territories to meet with relevant parties (i.e. State Training Systems personnel, training providers and selected industry), to discuss issues and processes and to collect documentation of new processes and policy guidelines. Steering Committee members generated itineraries for these visits.

A short review paper was developed upon which to base discussions. It focussed on specific issues (identified in Phase One of the project) to be pursued during Phase Two of the project.

The report consolidates information obtained from both phases of the project.

1.3. DEFINITIONS AND CONCEPTS

To assist the reader to understand the issues discussed in this report, the terminology used throughout reflects the key definitions and concepts defined in the "Glossary" which is located at the front of this document.

In particular it is worth noting that, for this project, the competitive training market refers to the “funding market” which has been defined in the Establishing an Effective Australian Market report as “comprising training purchased under all government programs where allocation is by competitive tender rather than direct funding of institutions” (Allen 1994 p 59). As indicated in the Glossary, competitive tendering processes as defined in the current study as “The process of calling for formal submissions for supply of goods or services”. These processes vary from formal tender handled through State Supply Commissions to more flexible submission processes.

In such a competitive training market, private training providers are able to compete with public training providers (i.e. TAFE Colleges/Institutes) for training funds. In this context, private providers are seen as a diverse group which includes commercial colleges, enterprise based trainers, community based providers and industry providers.
1.4. LINKS BETWEEN THIS PROJECT AND OTHER STUDIES

As part of another ANTA funded National Project, a study was commissioned by the Office of Training and Further Education in Victoria, directed at providing the VET Sector with details of the "nature, structure and role of the Australian training market" (Allen 1994 p1) for use by government agencies for strategic planning purposes.

The study, Establishing an Effective Australian Training Market (Allen 1994) determined the training market profile, the pattern of competition within the VET Sector and the direction and achievements of current commercial marketing practices. Consideration was given to the impact of public sector reforms, the role of Government in VET and paradigms of overseas markets as a basis to determine the extent to which the VET Sector should participate in the Open Training Market.

The following recommendations stemmed from the Victorian study:

- The extent of market participation in the VET Sector should be directly linked with achieving an equitable balance between social benefit and cost benefit;
- Systems should be put in place which allow consumers of VET to make informed choices when purchasing training;
- Market competition should be within established rules and regulations to ensure "a level playing field"; and,
- Consideration should be given to identifying and establishing appropriate time frames for submission processes.

The Victorian project provided a context for the present study which focuses more specifically on competitive tendering processes relating to the allocation by State Training Agencies of public funding for training delivery. The emphasis of the present study is also on a practical overview of current approaches and processes, as well as the identification of best practice approaches and issues requiring further attention.

Since this initial Victorian study two further studies of relevance to this project have been undertaken. These are:

- the ANTA National project Achieving Community Service Obligations in the Emerging Training Market commissioned by the Office of Training and Further Education in Victoria and managed by KPMG Managing Consulting. This study was directed at defining Community Service Obligations (CSO's) and identifying CSO's in the Australian VET Sector for use by government agencies for strategic planning purposes; and,
- the ANTA National project Public Investment and Capital Charging in VET Infrastructure commissioned by the Office of Training and Further Education, Victoria, the Bureau of Vocational Education and Training, New South Wales, and the Vocational Education and Training and Employment Commission, Queensland. This study was directed at identifying "suitable models of capital charging for the VET System" (Project Brief (1995) p.2) taking into account cost effectiveness and problems of implementation.

While the National project Achieving Community Service Obligations in the Emerging Training Market is as yet incomplete this project together with the recently completed National project Public Investment and Capital Charging in VET Infrastructure provide additional reference material for the present study, in particular when reviewing the ramifications of competitive tendering processes on access and equity provision and processes to achieve a "level playing field".
2. IMPETUS FOR A COMPETITIVE TRAINING MARKET

2.1. AUSTRALIAN DEVELOPMENTS IN SUPPORT OF COMPETITIVE PROCESSES

2.2. STATE/TERRITORY DEVELOPMENTS IN SUPPORT OF COMPETITIVE PROCESSES
Over the last decade, pressures on government budgets and a desire for increased effectiveness in public administration and government program delivery have resulted in a need to reconsider the role of government and its place in service delivery. There has been a resultant "wave of reform of public sector management" (Allen 1994 p 122) internationally, particularly in the English speaking world.

The Victorian study reported on the operation of training markets in the United Kingdom, New Zealand, Sweden and the United States as a basis for evaluation "the effectiveness of mechanisms using market processes to allocate resources in vocational education and training" (Allen 1994 p 152). A brief synopsis of this material is provided below.

Both the United Kingdom and North America have been particularly influential in world reform.

In the United Kingdom, the Efficiency Unit, formed by the Thatcher Government, examined management systems within the public sector and found there was a clear need for more accountability in management. The Unit suggested that a distinction be made between those bodies responsible for establishing policy frameworks and budgets and those responsible for the management of actual service delivery.

Details of the United Kingdom activities were published in 1988 in a report entitled Improving Management in Government: The Next Steps. In that report, independent service delivery agencies were considered the best way to achieve maximum efficiency and effectiveness of service delivery. These agencies need not be privatised, but the model allows for them to be structured in such a manner that private enterprise is not excluded from some service provision.

Reinventing Government, published in 1992 in North America, puts forward similar ideas. These ideas were adopted by New Zealand and New South Wales Governments in the 1980's and more recently in other Australasian jurisdictions. The main proposition is that the path to increased efficiency in government service delivery lies in more efficient management being achieved when competitive market forces are brought to bear.

---

2.1. AUSTRALIAN DEVELOPMENTS IN SUPPORT OF COMPETITIVE PROCESSES

The incentive for competitive training market activities in Australia has come from various sources and from both Commonwealth and State levels. At the Commonwealth and national level, there have been four main sources of impetus: the Deveson Report; the Hilmer Report and subsequent Council of Australian Governments (COAG) developments; "the Working Nation White Paper"; and, ANTA initiatives.

2.1.1. Deveson Report

The report Training Costs of Award Restructuring (1990), commonly referred to as the Deveson Report, resulted from the independent Commonwealth Training Costs Review Committee. The Committee focussed on identifying the need for additional government funding for training and explored a range of associated issues.

The report identified the need for growth in the size of training markets and the breadth of courses offered, and predicted the acceleration of this growth through additional demand for training, brought about from award restructuring. It also forecast that "...most of the increased training would be provided through industry through in-house facilities or private providers" (Deveson (1990) p. v). This statement indicates that public providers are seen as not having sufficient capacity to meet all the training requirements of industry and implies that non-public training providers may be more able to meet increased training market demands.

The report recommended processes which could be adopted by State Training Systems in order to increase responsiveness to new market demands within VET. It implied that public training providers would need to be resourceful and flexible if they were to compete in a market environment characterised by the "...ability to conduct transactions with relative freedom amongst potential buyers and sellers..." (ibid., p.9). The report cited issues associated with the provision of training services to industry, by TAFE Colleges/Institutes on a full cost recovery basis, as an area in which Colleges/Institutes showed entrepreneurship and a market-forces approach to course delivery.

The recurring theme of competitive market forces as a major incentive for increased training provision links the Deveson Report strongly with the Hilmer Report and other studies relating to increased market competition within the public sector.
2.1.2. Hilmer Report and Related COAG Developments

The report National Competition Policy (1993) resulted from the work of an Independent Committee of Inquiry chaired by Professor Hilmer. Generally referred to as the Hilmer Report, it focussed attention on constraints upon competition in many spheres of public sector activity due to the nature of existing legislation and practices.

The Hilmer Report’s findings and its possible implications for the VET Sector have been discussed in a paper prepared for ANTA by Joy Selby Smith (1995). Her paper (1995, particularly pp 4-6; 16-17) indicates that implications for the VET Sector could arise from:

- the widening of the coverage of Part IV of the Commonwealth Trade Practices Act (1994) to cover all bodies including State/Territory agencies and authorities, unless specifically exempted by an Act of Parliament. This would mean that the rules against anti-competitive conduct, which currently apply to firms, would apply much more widely;
- the impact of the broader principles and processes being recommended by Hilmer, particularly
  - reforming regulations which restrict competition and restructuring public monopolies to facilitate competition;
  - allowing access to facilities (e.g. buildings, specialist equipment) which are essential for competition; and,
  - fostering competitive neutrality when government and private agencies compete.


The ANTA Ministerial Council (MINCO) established a national Working Party to consider the implications of Competition Policy legislation for the VET Sector. The Working Party overviewed VET arrangements across all States/Territories and considered the available advice and interpretations concerning the impact of the Competition Policy legislation.

While the interpretive work undertaken to date has been useful in helping to clarify the likely implications of the Competition Policy legislation on the VET Sector, these implications are still the subject of consideration by the Commonwealth, ANTA and the individual State/Territory VET agencies. Furthermore, many State/Territory jurisdictions are adopting a “whole of Government” approach to Competition Policy. Definitive positions on the implications for the VET Sector are therefore still far from clear.

From the information available to date it is expected that:

- private (non-government) training providers will be subject to the Competition Code;
- State/Territory (public) VET agencies/Colleges will not be subject to the code where they enjoy the “shield of the crown”;
- State/Territory (public) VET agencies/Colleges will be subject to the code in areas in which they “carry on a business”; and
- there will be provision for conduct to be exempt from the Code by Commonwealth or State/Territory legislation.

While the above points may appear to make the situation seem clear-cut, it is apparent from the available advice and documentation that even the definition of what constitutes carrying on a business is far from self-evident (e.g. the application of a simple test such as “is there a profit motive” may be inadequate). It is expected, however that, in regard to public providers, commercial and fee-for-service activities would be deemed as business activities and therefore subject to the Competition Code. Public provider activities such as the running of bookshops or catering services may similarly be deemed business activities, especially where they relate to commercial/fee-for-service activities. It is less clear whether bookshops etc. would be deemed business activities where they relate to the provision of basic services.

Of particular relevance to the present project is whether activities carried out by public training providers using government funds accessed in “contestable” ways (e.g. where providers compete for funds through competitive tendering processes) would cause those activities to be deemed business activities and hence subject to the Competition Code. This issue is one of several which will require further examination.

From the work of the MINCO Working Party and other advice, it appears likely that “core” activities of public providers (where there is a limited fee structure and funding is not received on a contestable basis) will not be subject to the Competition Code. Commercial and fee for service activities, on the other hand, are expected to be subject to
the Code. Some "grey areas" still exist in relation to curriculum and standards, customised courses, fees for student services and "borderline" commercial activities (ANTA Ministerial Council (18 August 1995)). Whether activities funded through "contestable" methods are subject to the Code is a further and significant area needing additional consideration.

The work undertaken to date highlights the need for the cost structures applied to competitive tendering processes to be open and transparent and for State Training Agencies and public providers to ensure there is a clear separation between commercial and non-commercial activities of public providers.

Notwithstanding the uncertainty regarding the application of the legislation to the competitive training market, the Hilmer Report has focussed attention on non-competitive practices within the VET Sector, while also helping to inform the ways in which competitive processes recently introduced within the Sector are being shaped.


The Commonwealth Government's Working Nation White Paper outlined policies and funding arrangements designed to stimulate training and resultant skills acquisition, as part of efforts to reduce the national unemployment rate to five percent by the turn of the century. Working Nation actively promoted competitive processes, in particular by:

- emphasising that the VET system must "be based on an open and competitive training market consisting of both public and private training providers" (1994 Vol. 2 p. 99);
- outlining the establishment of the Employment Service Regulatory Agency (ESRA) to "promote the development of community and private sector case managers (for the unemployed) and to ensure fair competition between the CES and other agencies" (1994 Vol. 1 p.10);
- providing on-going funding for the Pre-vocational Places Program, the subsequent guidelines for which encouraged the provision of funding to private training providers; and,
- encouraging industry to take a more hands on role in administering entry level training.

2.1.4. ANTA Developments

ANTA, which is an authority reflecting a joint partnership between the Commonwealth and the States/Territories, has also provided impetus. One of the founding aims of ANTA was to promote "an effective training market, with public and private provision of both high level, advanced technical training and further education opportunities for the work force and the community generally" (ANTA Act 1992 p 18).

ANTA's national strategy for VET, Towards a Skilled Australia (1994), has as one of its main themes "responsiveness, so that diversity, choice and co-operation are maximised between the full range of training providers - public, private and industry" (ANTA 1994a p.1).

In 1995 ANTA arrangements were directed at increasing the provision of vocational education and training. Further expansion is planned for 1996 with an increase of 9.65M student contact hours or 45,238 student places expected (ANTA 1995 p.34). Much of this forecast growth in training activity will be delivered through competitive marketing processes, i.e. open tender, joint venture activities and preferred provider arrangements. ANTA anticipates competitive processes will increase considerably in 1996. Within this context ANTA has estimated $65M nationally will be allocated in this way which is more than double the funds allocated by them to competitive activities in 1995. (ANTA 1995 p.25)

Other developments supported by ANTA include the implementation of User Choice pilots, (i.e. specific programs directed at providing enterprise and students with customised training delivered by the provider of their choice).

In ANTA's view, greater consumer choice will be afforded as a result of the broadening of the training market. Through its priority setting and reporting processes, ANTA is actively encouraging State Training Agencies to develop a more competitive training market.
2.2. STATE/TERRITORY DEVELOPMENTS IN SUPPORT OF COMPETITIVE PROCESSES

2.2.1. General Public Sector Reform

In parallel with these national-level developments, State/Territory governments have been introducing their own policy initiatives directed at public sector reform, including the encouragement of more competitive service delivery. Likewise, State Training Agencies have been introducing competitive processes within the VET Sector.

In many States, micro economic reforms and commercialisation of government activities are being introduced in order to manage costs and improve the quality of goods and services provided to customers. Anticipated benefits include greater efficiency, responsiveness to clients and reward for innovation.

Examples of this public sector reform include:
- Government initiatives to achieve increased commercialisation in New South Wales; the development and endorsement of a State commercialisation policy in Queensland; South Australia’s general policy initiative on the contracting out of public services; the Victorian Premier’s Department’s general policy initiative on management improvement which reflected that Government’s preference for market-based processes; and, the Western Australian Government’s endorsement of a Competitive Tendering and Contracting policy, designed “to achieve better value for money in the delivery of government goods and services” (Competitive Tendering and Contracting Guidelines 1994 p 1).
- In many public sector areas a “Funder, Purchaser, Provider” model is being applied, based on the separation of management functions between agencies who are engaged in directing the production and delivery of the same set of goods and services to consumer/clients. This model offers an approach to managing public service provision which is compatible with competitive tendering processes. Its compatibility lies in the reliance of the model on contracting between the Purchaser and the Provider in order to deliver specified goods and/or services to the consumer/client.

A useful overview of the management functions within the model, is provided by Ray Blight, Chief Executive of the South Australian Health Commission. Blight described the Funder as “…attracting, consolidating and allocating funds, strategic planning, developing policies and monitoring to improve outcomes in the status of the whole population.”, the Purchaser as “….planning, purchasing and evaluation through a contracting process, the delivery of services to meet the need of a specific community.” and the Provider as “…offering and delivering high quality services to customers, as competitively as possible in relation to efficiency, cost effectiveness and appropriateness.” (Blight 1995 p. 30).

2.2.2. VET Reforms

Along with these general public sector reforms have come reforms in most States/Territories in the way in which the VET Sector is administered. Most systems have either introduced, or are in the process of introducing, arrangements whereby the VET funder/purchaser role is differentiated from the training provision role.

States/Territories have also introduced processes for allocating VET funding in a competitive manner. These processes provide a means by which a broader range of training providers, including private providers, can compete for funds with which to deliver training services.

There is considerable variety in the competitive tendering processes implemented by States/Territories. Some States encourage full competition in which TAFE Colleges/Institutes compete with one another as well as private providers. Other States encourage competition only between private providers (e.g. Tasmania) whereas others, (e.g. South Australia) have concentrated their efforts on the diversification of the training market rather than simply encouraging direct competition between providers.

An overview of the competitive tendering processes implemented by State/Territories in the VET Sector is included as appendices in this report. Table 1 provides an indication of the nature and extent of these activities.
3. COMPETITIVE TENDERING PROCESSES ISSUES AND BEST PRACTICE

3.1. OPTIMAL FUNDING LEVEL FOR COMPETITIVE TENDERING PROCESSES WITHIN THE VET SECTOR

3.2. ELIGIBILITY OF TRAINING PROVIDERS TO COMPETE FOR FUNDING OFFERED THROUGH COMPETITIVE TENDERING PROCESSES

3.3. TYPES OF TRAINING BEST SUITED TO COMPETITIVE TENDERING PROCESSES

3.4. BEST PRACTICE PROCESSES TO USE IN COMPETITIVE TENDERING PROCESSES

3.5. OPTIMAL TIMING OF COMPETITIVE TENDERING PROCESSES AND BEST METHODS OF LINKING THESE ACTIVITIES TO OTHER PROCESSES

3.6. PROCESSES TO ENCOURAGE A WIDE RANGE OF PROVIDERS TO SUBMIT APPLICATIONS UNDER COMPETITIVE TENDERING PROCESSES

3.7. QUALITY ASSURANCE

3.8. ACCESS AND EQUITY

3.9. POSSIBLE IMPLICATIONS FOR PROVIDERS, INDUSTRY AND STUDENTS

3.10. COSTING/PRICING ISSUES

3.11. COSTS OF COMPETITIVE TENDERING PROCESSES

3.12. NATURE OF CONTRACTS
Eleven topic areas were the focus of the issues paper to assist consultation in Phase One of the project and were the basis for further research in Phase Two of the project. The same 11 topics together with additional information on costs have been used to structure the following discussion of the issues and best practice which are emerging from competitive tendering processes undertaken by State Training Agencies.

3.1. OPTIMAL FUNDING LEVEL FOR COMPETITIVE TENDERING PROCESSES WITHIN THE VET SECTOR

One issue explored in Phase One of the project was the extent to which funding could be allocated through competitive tendering processes. Programs implemented by most States/Territories to enable "non-TAFE" training providers to compete for public funding to deliver training were reviewed in 1995. While these were generally still at the pilot stage and involved a relatively small percentage of the VET budget, it was considered that, in theory, all publicly funded VET provision could be funded through such mechanisms.

Further exploration of this issue in Phase Two of the project has shown that most States/Territories will expand these activities in 1996 with Queensland, for example, planning to increase the funding allocated by competitive processes (i.e. competitive tendering, preferred supplier arrangements and client purchase arrangements and other user choice pilots) to $19.6M compared with $7.6M in 1995; New South Wales plans to increase funding allocated through competitive tendering processes by 100% in 1996 to $14M of ANTA growth funds as equated to $7M in 1995; and, Western Australia likewise plans to allocate $10M through tender (i.e. industry specific, pre-vocational and enterprise specific funding programs), compared with $7.7M in 1995.

At the funding levels planned for 1996, competitive tendering processes can no longer be considered "pilot" in nature, yet they are still by no means the dominant method of allocating VET funding. The dominant method remains allocation to public training providers (TAFE Colleges/Institutes) through training profile negotiation processes. Those processes often involve elements of competition, but it is competition between TAFE Colleges/Institutes.

The impact of the Hilmer Report, the influence of ANTA and the influence of State/Territory public sector reforms are all likely to encourage the further expansion of competitive tendering processes in the VET Sector in most States/Territories. This subsequent growth in competitive tendering processes may result in the demise of some training providers. While it is accepted that a certain degree of risk is attached to all business operation the implications of increased competition should be given careful consideration. Competition should lead to higher quality vocational education and training and gains in efficiency and effectiveness. It should not be supported for its own sake but occur within a framework of public interest which includes issues of: value for money; achieving maximum return from existing public investment; access and participation; and, fulfilling Government community service obligations.

3.1.1. Competitive Tendering Processes in Non-Metropolitan Areas

The provision of training in non-metropolitan, (i.e. those areas which fall outside the Capital City statistical division of States/Territories of Australia) raises issues of substance when considering optimal funding levels for VET competitive tendering within these locations. For example, training provision in non-metropolitan areas is considered to be more costly to provide than that of the metropolitan regions thereby providing less opportunity of achieving adequate return on investment; and, non-metropolitan residents often see TAFE Colleges/Institutes as being an important component of local infrastructure and subsequently may consider the diversification of the training market by contracting delivery through a variety of providers, as undesirable. These factors must be taken into account when determining optimal funding levels for competitive tendering processes in these locations.

The feasibility of competitive tendering processes in non-metropolitan areas, in which there may be a limited training provider market, was considered in Phase One of the project...
and showed opinions of stakeholders differed in regard to the viability of competitive tendering processes within these locations.

Some stakeholders were of the opinion that the extra costs and dis-economies of scale faced by public training providers, (e.g. in recruiting appropriately qualified staff to deliver training; in obtaining suitable housing accommodation for employees and appropriate training facilities; and, in the very remote locations, achieving access to some areas due to road and weather conditions) were reason enough for not encouraging new training providers into non-metropolitan training markets.

Other stakeholders, including private providers who have been successfully operating in the larger rural areas (e.g. populations of 5,000 and above) saw little reason for not encouraging competitive tendering processes within these locations. They believed strategies existed to overcome the problems of applying competitive processes to non-metropolitan training delivery. These strategies include covenants on contracts with metropolitan-based providers under which funding is conditional on servicing non-metropolitan areas, and the application of video-conferencing or other new technologies to enable providers to service remote areas more effectively from central locations.

Phase Two of the project further explored the implications of competitive tendering processes in non-metropolitan locations. Particular attention was given to the feasibility of applying the strategies recommended by private providers who had successfully operated in non-metropolitan locations and to determining processes to address infrastructure issues raised by public providers.

The issues raised by stakeholders in Phase One of the project, (i.e. extra costs and dis-economies of scale faced by providers in delivering to non-metropolitan locations and claims strategies could be applied to overcome difficulties in applying competitive tendering processes to rural/remote locations) were reaffirmed and discussed by training providers.

The main outcomes from these discussions are outlined below.

**Covenants on contracts with metropolitan-based providers under which funding is conditional on servicing non-metropolitan areas**

The suggestion of covenants on contracts with metropolitan-based providers made it conditional to service non-metropolitan areas was debated between metropolitan-based providers and providers who are based in non-metropolitan locations. Non-metropolitan providers were opposed to metropolitan-based delivery within their areas as they believed metropolitan providers had insufficient knowledge of local industry needs and lacked understanding of the culture of local residents. Metropolitan-based providers could see new market advantages in servicing non-metropolitan locations particularly if the provider organisation was sufficient in size to allow the cross subsidisation of non-metropolitan delivery from profits made through the delivery of courses in the metropolitan area, or if government funding for delivery in these locations was at a higher rate per student contact hour than that paid for metropolitan delivery. There was consensus among providers that it was essential for all training delivery to achieve an appropriate return on investment in order to sustain business operation.

Metropolitan-based providers who were experienced in providing training in non-metropolitan areas reported difficulties in transporting city trainers to rural and remote locations and in finding them appropriate residential accommodation. Further difficulties were experienced in recruiting staff who were capable of dealing with the multiple responsibilities of training and administrative and operational processes to ensure efficient training delivery. While providers agreed these problems could be minimised by employing local trainers often appropriately skilled people were not available in non-metropolitan areas.

**The application of video-conferencing or other new technologies to enable providers to service remote areas more efficiently from a central location**

Providers acknowledged that efficiencies could be achieved through the use of new technologies, (e.g. the use of video conferencing using bridging services to allow delivery to three or four small student groups situated at different locations at the one time) and believed technology had a role in meeting the training needs of people residing in non-metropolitan locations. Most providers were of the opinion that at this time, the role of technology was relatively minor due to cost factors, the shortage of facilities in remote locations, (e.g. ISDN linkages) and student preference for teacher centred learning approaches. They referred to:
### TABLE 1

**STATE/TERRITORY COMPETITIVE TENDERING PROCESSES**

<table>
<thead>
<tr>
<th>STATE/TERRITORY</th>
<th>AGENCY</th>
<th>INITIATIVES</th>
<th>OUTCOMES</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Australian Capital Territory</strong></td>
<td>Vocational Training Authority</td>
<td>Training market development program established to allocate funds to both private and public providers on the basis of competitive applications</td>
<td>20 percent, (cumulative since 1994) of ANTA growth funds have been committed in 1995.</td>
</tr>
<tr>
<td><strong>New South Wales</strong></td>
<td>Board of Vocational Education and Training (BVET)</td>
<td>Pilot Private Provider program commenced in 1994 Continued as the Contracted Training Provision program - open to public and private providers</td>
<td>1994 program attracted submissions from 96 private providers - value $11.7M 40 private providers were funded to provide 113 courses. $7M ANTA growth funds tendered in 1995. A further $14M is proposed to be tendered in 1996.</td>
</tr>
<tr>
<td><strong>Northern Territory</strong></td>
<td>Northern Territory Employment and Training Authority (NTETA)</td>
<td>Competitive Resource Allocations</td>
<td>1994 198 training places were purchased representing 18% of total Growth funds.</td>
</tr>
<tr>
<td><strong>Queensland</strong></td>
<td>Vocational Education Training and Employment Commission (VETEC)</td>
<td>Pilot competitive tendering project commenced in 1993</td>
<td>1993/94 $2M allocated to competitive tendering pilot 1994/95 $4M. allocated to competitive tendering pilot, $2M allocated to preferred supplier arrangements and $1M allocated to client purchase arrangements. 1996 $22.5M allocated to competitive tendering, preferred supplier and client purchase arrangements.</td>
</tr>
<tr>
<td><strong>South Australia</strong></td>
<td>Department for Employment, Training and Further Education</td>
<td>Pilot competitive tendering processes started in 1994 with funds available to private providers only (Diverse Training Market Funding Program) Pilot extended in 1995 and 1996. Funds available to both private providers and TAFE Institutes. Tender funds allocated through other initiatives including the Pre-vocational Places Program and the Adult Community Education Grants Program</td>
<td>ANTA Growth Funds used to finance the Diverse Training Market Funding Program 1994 $2.2M allocated 1195 $1.2M allocated 1996 $2M allocated in first round with a second round planned.</td>
</tr>
<tr>
<td><strong>Tasmania</strong></td>
<td>Department of Industrial Relations, Vocational Education and Training (DIRVET)</td>
<td>1994 Pilot private provider program using ANTA growth funds. TAFE Institutes excluded. 1995 Off the job traineeship training opened to competitive bids from both TAFE and non-TAFE providers 1996 Training Market Program expanded to include TAFE</td>
<td>ANTA Growth Funds used to finance the program. 1996 $1M ANTA growth and rolled over base funds available.</td>
</tr>
<tr>
<td><strong>Victoria</strong></td>
<td>Office of TAFE and Further Education (OTFE)</td>
<td>1993/94 pilot private provider program</td>
<td>1993 $2.2M of State funding 1994 $3.1M of State funding 1995 $5.5M of State funding 1996 $7.0M of State funding 1996 ANTA growth funds; $9M competitive tendering; $8M traineeships</td>
</tr>
<tr>
<td><strong>Western Australia</strong></td>
<td>W.A. Department of Training</td>
<td>1994 Pilot program which included both public and private providers</td>
<td>1994 170 full-year full-time places - delivery cost $5.5M and 1,080 shorter term full-time places - delivery cost $2.3M 1995 $4.2M was allocated to the Prevocational Program and $3.5M to the Industry Specific Program. 1996 $10M will be allocated through competitive tender. Of this $5.5M to Industry Specific Program, $0.4M to Enterprise Specific Program and $3.6M to Prevocational Places Program.</td>
</tr>
</tbody>
</table>
cultural aspects (e.g. Aboriginal people being the majority of people receiving training in remote locations and the preference of these people for personal interaction during learning); the importance of social interaction in rural communities; historical evidence that there is a high student attrition rate from distance education processes; and, reported negative outcomes from video-conferencing pilots in their arguments against the widespread use of technology.

One point of interest which tends to throw a different light on the argument that distance education processes are accompanied by high student attrition, is a claim made by a New South Wales University who specialises in distance learning that their student attrition rate is only 2 - 3 percent.

Some private providers were of the opinion that the extensive use of technology would ultimately cause the demise of their organisations and subsequently create a non-competitive training environment in rural and remote areas. This argument was one which was not supported by a State Agriculture and Horticulture Training Council due to the early stages of development of the rural training market. They supported the use of technology along with many other delivery strategies, as having the potential to enhance training delivery in rural/remote locations.

Other providers believed joint venture arrangements in which costs of purchasing new technology was shared may assist entry into alternative delivery arrangements.

A further suggestion by some providers to attract students to use technology and other alternative learning processes was the application of student incentives. For example, one provider reported success in encouraging students to use print based learning materials by paying the student a fixed sum of money on successful completion of course materials.

Availability of appropriate infrastructure to assist rural/remote training delivery

In the advent of increased competition within the VET and the possible charging for the use of government infrastructure to achieve return on investment of public monies, it may be a viable option for State Training Agencies to provide funding to build appropriate infrastructure, (e.g. training facilities, resource centres and residential accommodation for teaching staff) and lease these out to public and private providers as required to improve access to training in non-metropolitan locations. The success experienced by the Northern Territory in leasing government fleet vehicles to private providers to assist them to deliver training in remote locations supports this concept.

While these options raise many issues which require further consideration, they are seen as ways in which competitive tendering processes may have potential to enrich and diversify training delivery to remote locations in a cost efficient way.

A further issue raised in Phase Two of the project by an Industry Training Council related to the lack of opportunity for people residing in rural areas to become registered training providers. This was believed to be often the result of a combination of lack of government resources to deal with the issues and inflexible rules and regulation which prevent the registration of an individual rather than an organisation as a training provider.

Competitive tendering processes have been applied to non-metropolitan locations and are considered to be successful in the larger rural areas. Opinions differed between stakeholders as to the effectiveness of covenants on contracts which made funding conditional on servicing non-metropolitan areas and the application of video-conferencing or other new technologies to allow rural/remote areas to be serviced from central locations. There was consensus, however, that effective training delivery in non-metropolitan locations can only be achieved through a thorough understanding of the cultural and industry needs of the people concerned.

The application of competitive tendering processes to non-metropolitan areas has been relatively minor to date. However, should the proportion of funding allocated through competitive tendering processes increase particular attention will need to be paid to this issue to ensure equitable access to training for residents in non-metropolitan Australia.

3.2 ELIGIBILITY OF TRAINING PROVIDERS TO COMPETE FOR FUNDING OFFERED THROUGH COMPETITIVE TENDERING PROCESSES

A range of approaches had been adopted by States/Territories regarding the terms on which providers are eligible to make submissions.

3.2.1 Direct Competition Between Private and Public Providers

One essential difference in operations between States/Territories is between those States which have permitted and encouraged direct competition between public
providers (i.e. TAFE Colleges/Institutes) and private providers, and those which have adopted a "quarantined" approach in which specific funds are allocated for private providers to bid for through a competitive process.

Phase One of the project showed the approach of quarantining bids by private providers had the potential to encourage private providers to apply for funding whereas in a direct competition approach it may be perceived that TAFE Colleges/Institutes will dominate competitive funding arrangements.

It was also found that where a "controlled" phasing in of funding to private providers was believed appropriate (i.e. to ensure that existing TAFE infrastructure is not left idle, or further counter-productive outcomes do not occur), there were advantages in the quarantining of funds and processes. This allowed the outcome to be pre-determined in that it was known that the allotted funds would be allocated to private providers whereas in a direct competition approach the outcome in terms of whether the funding goes to a private or public provider depends on the nature of the submissions.

The quarantining approach was also considered to have further advantages in that it helped to simplify the comparison of the bids, essentially in terms of relative price. Most States are still grappling with processes to ensure genuine competitive neutrality between submissions from private and public training providers and to ensure a "level playing field" (see Section 3.10.2 for further discussion). These matters become less problematic if the bids are only being compared across a range of private providers.

Alternatively, direct competition between private and public providers offered other advantages. It was perceived that direct competition had potential to improve services through increased attention to client needs, increased flexibility in training delivery and better quality outcomes. This was illustrated in one State by TAFE Colleges initially being relatively un-competitive and gaining only 20 percent of the available funds and then after concentrating on developing submission skills they were able to increase their "market share" to 70 percent in the 1995 round of competitive tendering. Other states have reported similar experiences.

Open competition also provided opportunities for joint venture submissions involving both public and private providers. Many stakeholders perceived these partnerships as providing the "best of both worlds" - stimulating private involvement and competition, while also optimising the use of the existing public investment in TAFE Colleges/Institutes. Direct competition also offered further advantages by allowing the public providers to win funds if their submissions were of sufficient standard thereby providing some protection for efficient and effective public providers and maximising the return on the existing public investment in TAFE infrastructure.

These approaches have continued during Phase Two of the project. Most States/Territories are employing strategies to encourage private and public training provider competition. For example, Victoria initially utilised a quarantining approach but in 1995 it changed its strategy so that of the $7.7M allocated through the formal submission process, $3M was quarantined for private providers and the rest is open to competition between private and public providers.

States appear to be in agreement that, unless particular circumstances dictate otherwise, direct competition between private and public providers is preferable to a quarantining approach at the current levels of funding. Larger scale competitive tendering processes would necessitate further evaluation of this approach.

3.2.2. Eligibility Restricted to Accredited/Registered Providers Only

States/Territories differ in their approaches concerning whether eligibility to compete for funding is restricted to only those providers who are already registered as providers to deliver the accredited course. Essentially the main difference between State practices relates to whether accreditation/registration is required when the submission is made, or whether it is required prior to the commencement of the training, or at some later time, (e.g. during the first phase of the project Western Australia required accreditation/registration by the commencement of training whereas Victoria required it prior to the end of training delivery).

Western Australia initially required accreditation/registration by the commencement of the training in the interests of encouraging new providers to make submissions and streamline accreditation/registration processes. That State has since implemented strategies which allow greater flexibility in meeting accreditation requirements. For example, submissions for innovative courses, (e.g. courses not previously conducted in Western Australia which address new or growth industry training
needs) where accreditation and/or registration has not been
finalised at the time of applying for funding may be funded
if accreditation/registration processes have been commenced
at the time of the application and the course is supported by
the appropriate Industry Training Council. This enables new
providers to apply for funding, encourages innovation, and
by requiring they have at least commenced
accreditation/registration prior to applying for funding,
provides some safeguards to training quality.

A consensus is apparent that generally training providers who
receive funding through competitive tendering processes should be
accredited/registered as this provides a guarantee of at least
minimum acceptable standards of quality for the training provided.
Local State/Territory circumstances, particularly the
size/depth of the existing training provider market, is likely
to influence whether the exclusion of providers who are not
registered/accredited occurs at the submission point or at
some subsequent point.

3.2.3. Eligibility of Schools or Higher
Education Institutions

If the accreditation/registration process is applied as an
eligibility criterion this would suggest that schools and
universities should be eligible to apply for funds through
competitive tendering processes provided that they have
National Framework for Recognition of Training (NFROT)
accreditation/registration. Under this approach the
assumption is that the specification of training and other
conditions of the contract would be sufficient to ensure the
use of the funds to deliver quality VET training, and
appropriate reporting on training delivery.

However, there are many associated issues to be
considered in this area. States/Territories have been collecting
information regarding present policies and practices in
relation to access by schools to VET funds and ANTA
growth funds in order to provide an analysis of emerging
issues and identify policy options related to whether Schools
and Universities should be eligible to apply for rendered
VET funding.

The practice of allowing Schools and/or Universities
access to VET funding through competitive tendering
processes may increase opportunity for "double dipping" (i.e.
tendering for funding for courses which are already
supported by other funding). In addition to the issue of
possibly having access to two streams of funding for the same
service the fact that Schools share the same tax privileges as
TAFE Colleges/Institutes tends to place them at a
competitive advantage to private providers, a factor which
needs to be addressed if competitive neutrality is to be
achieved.

3.2.4 Eligibility of Providers from
other States/Territories

The matter of inter-State training provider eligibility has
usually not been addressed directly in pilot processes which
have been operating in the respective States/Territories. The
general practice is to advertise in local papers which has
minimised the occurrence of inter-State applications. The
Australian Capital Territory and Tasmania, due to size of
population and subsequently the size of the training market
have, however, entered into contracts with training providers
from outside the State as part of the normal process to meet
enterprise training requirements. This practice has provided
residents of these States with greater opportunity to
participate in vocational education and training.

It should be noted that in the fee-for-service component
of the training market (which is outside the scope of the
present project), inter-State bids have often been successful
for quite major contracts (see Selby Smith, 1995, p. 12; Allen
1994).

Under the Hilmer proposals, the principle of open
competition would suggest that inter-State applications
should be allowed. Likewise, application of a general
principle of eligibility for all registered/accredited training
providers would suggest allowing inter-State applications, as
long as the out of State training provider has local
accreditation/registration status.

State Training Agencies, however, manage VET within
their respective State boundaries. Selby Smith (1995, p. 12)
notes, for example, that the situation of "... governments as
funders to operate nationally rather than on a state basis. ... is
unlikely to develop in the near term to the extent that governments
fund only own-state institutions". Selby Smith also notes,
however, that "... a state training agency might find it more
efficient to purchase specialist courses and associated products and
services from interstate, on a competitive basis, in particular
circumstances." She also suggests that "Perhaps the standard
might be that local and regional initiatives should be supported to
the extent that they are consistent with the development of an open
and competitive national market and do not constitute new forms of
restriction to competition on a national basis” (Selby Smith 1995 p.12-13).

Phase Two of the project sought the views of Stakeholders on the implications of inter-State competition as they applied to the competitive tendering of VET funding.

Providers and State Training Agencies generally accepted inter-State operation within the training market. However, opinions differed as to the best type of cross border operation. Inter-State competition was supported by some State Training Agencies as it was believed it was of little consequence who provided the training as long as it achieved value for money. Other State Training Agencies could see greater advantages in collaboration between States rather than competition as it was believed co-operation between States would improve the quality of VET provision and provide the flexibility needed to achieve access and equity requirements.

Concerns were raised by one State Training Agency that cross border operation could undermine the achievement of State training targets. A further issue which was raised by this agency was the possible detrimental affects inter-State competition could create for State politicians as cross border operations have potential to undermine the responsibility and control of the State Minister.

Private providers and some public providers viewed competition, irrespective of whether it was from local sources or from other States, as being part of normal business operation. Cross border operation was occurring with some providers reporting multiple delivery points. Other provider organisations were investigating possible niche market opportunities whereas other providers reported they were willing to operate across borders but were unable to do so due to lack of available resources. One theme which was common to all stakeholders was the need for competition to occur on a level playing field.

### Funding Training Delivery in Several States

The matter of acquiring funds to deliver the same training in several different States was an issue for providers. Private providers reported they simply registered as a training provider in each of the States in which they wished to deliver training to enable them to bid for funds as required. This practice had proved to be successful although the duplication of submissions, differences in State policy and quality assurance and accreditation requirements made this a rather resource intensive and lengthy process.

Public providers had been unsuccessful in devising a means to procure funding from State sources other than their own although one TAFE College had applied for registration as a private provider in another State in an attempt to access additional funding. The outcome of these efforts are not known but it does raise the issue of how to efficiently deal with funding for cross border operations.

### 3.3 TYPES OF TRAINING BEST SUITED TO COMPETITIVE TENDERING PROCESSES

The period of the project (i.e. June, 1994 to January, 1996) has seen a variety of competitive tendering processes for the allocation of VET funding in place in all States/Territories. The nature and type of training being funded has varied considerably.

Processes in most States now focus on the provision of training for both full-time and part-time students. Many States have specified industry specific training needs consistent with their State Training Profile to be funded in this way. In some cases this has been accompanied by the identification of more general areas of training need, such as needs arising from workplace reforms.

Several States/Territories have focussed on courses of one semester duration or less to assist long term unemployed young people and other groups disadvantaged in the labour market. These courses have been developed in line with Commonwealth guidelines applied to the Pre-vocational Places program (i.e. courses must include a minimum of 20 hours instruction per week and not exceed 26 weeks duration) and allocated funding under these arrangements.

Relative commonalities are that funding initially was directed at courses of no longer than twelve months duration with submissions being made on a course-by-course basis. This practice has been modified in some States to allow funding to be allocated to courses of two or three years duration, (e.g. Western Australia has recently tendered out Associate Diploma courses which extend over a period of three years). Other practice has been modelled on the New South Wales procedure of administering “programs” or suites of courses through competitive processes.

Based on the consultations and discussions undertaken for this project, there appears no particular “best type” of training to fund through competitive processes. Virtually any type of training
identified as a training need could be funded through such means.

Courses contracted on an individual basis present the problem of high relative administrative overheads (discussed in Section 3.11) if handled through competitive tendering processes. This could be overcome by calling for submissions for training providers to provide a range of such courses or a program of repeated delivery. Other issues arise in relation to short courses e.g. possible overlap with fee-for-service activity or with staff training/development in programs historically funded by employing bodies themselves. This latter issue is one which must be addressed within programs such as Western Australia’s Enterprise Specific Funding Program and Queensland’s Client Purchase Arrangement.

The types of training to fund through competitive tendering processes is a decision to be made by State Training Agencies in the light of identified training needs and consideration of other options for funding/delivery, (e.g. through standard TAFE College/Institute profile arrangements).

There is an emerging consensus, however, that if the amount of funding/training handled through competitive tendering processes grows, it will be increasingly important that courses of longer duration and involving both full and part-time delivery be included. This will provide training providers capacity to forward plan (e.g. for a three year program of funding and delivery), and will reduce (relative to funding level) both the investment costs of those making submissions and the administration costs of those administering the process. Furthermore, to continue to fund mainly one-year full-time courses would distort the delivery provided through State Training Agency - TAFE College/Institute profile negotiations.

Continued commitments to fund a program of delivery over several years would need to be contingent upon satisfactory performance by the provider. Such commitments may as has been mentioned, also mean that increased attention needs to be given at the selection stage to the financial viability of the providers, to minimise the risk of financial failure during the contract.

Extended contracts also raise costing issues particularly in regard to increases in cost of training delivery. For example, the costs specified in today’s submissions may be untenable for delivery of training at a time in the future, (e.g. 3 years further on) and ultimately result in provider failure. This again emphasis the need for risk management and suggests there is a requirement to consider new funding mechanisms which allow provision for unavoidable cost increases in order to assist providers to maintain viable training organisations.

States/Territories have largely restricted their competitive tendering processes to growth in training provision. Changes in this practice include planning for the competitive tendering of funding for traineeships, “User Choice” pilots and contracting out training historically provided by TAFE Colleges/Institutes thereby diminishing the base funding of public providers. For example, Western Australia has recently put out to tender the metropolitan training commitment for Painting and Decorating Trade Apprentices.

The viability of contracting courses which reduce the base funding of public providers has been questioned by some stakeholders. The Australian Education Union (AEU) believe the potential move by some States to allocate large amounts of government funding for vocational education and training on a contestable basis places the future of public VET as it currently operates, at risk. They believe that “what is required is a firm national decision to guarantee the continued public provision of post school VET through TAFE” (Senate - Standing, EE & T 257, 27 October, 1995) in order to ensure the future provision of vocational education and training. They are concerned the over commitment of government funding to competitive tendering processes will erode the capacity of VET to meet the training needs of all Australians. The AEU recommends that “the key roles of the provider types can be identified and appropriate market regulation can be developed”, (Ibid. (1995)) only after public provision is guaranteed.

There is general consensus that there is a need to implement processes to monitor performance and assist risk management to ensure funding/training arrangements achieve a balance of courses delivered through competitive tendering processes and TAFE College/Institute profile negotiations.

3.4 BEST PRACTICE METHODS TO USE IN COMPETITIVE TENDERING PROCESSES

State/Territory competitive tendering processes use differing processes for handling submissions. In some States/Territories, the process is one of formal tendering. In other States/Territories formal submissions are made, but without the added conditions imposed under formal tendering. For example: Western Australia, due to existing legislative requirements, runs its processes under the auspices of the State Supply Commission; Queensland operates under the guidelines of State Purchasing Policy which requires the
advertising of invitations to tender; and, South Australia has a formal submission process in which invitations to submit bids are placed in the daily newspapers.

There are, however, considerable commonalities across the States/Territories. In most cases, specified criteria are stipulated, against which the tenders or submissions are assessed. While the criteria reflect State specific requirements (e.g. New South Wales calls for tenders across a vocational field (e.g. hospitality), whereas Western Australia usually requires submissions to stipulate the level of training within a particular course), they also show considerable commonality, often addressing conditions such as: accreditation/registration; attention to the needs of special groups; provision of additional training delivery to that normally offered by the training provider; provision of training in priority areas of need; provision of the training within the specified time, etc.

Similar processes have been adopted by States/Territories to evaluate submissions. This usually involves the application of a rating scale on stipulated criteria. For example, Western Australia rate essential criteria, e.g. accreditation and registration, simply as either having met the criteria or failed to meet the criteria. Other course related criteria are rated on a 9 point scale.

Usually, a committee makes the recommendations based on an assessment of the applications, with the final ratification residing with the relevant Minister or CEO, or with a body such as a State Supply Commissioner. The formal committee is often of a mixed composition, including State Training Agency and industry representation and representation from other interest groups. In Queensland, however, the committee is external to the State Training Agency and is made up of ITAB representatives.

The work of the committee is usually assisted by a team of State Training Agency assessors who seek advice from other officers such as regional officers, curriculum staff and staff with expertise in access and equity matters.

Generally, these processes have been operating without major difficulties and have stimulated competition, innovation, responsiveness to client needs and increased client choice. Phase One of the project showed stakeholders agreed that these processes were highly resource intensive to administer. Administration includes not only the management of the submission/assessment process, but the on-going management of the subsequent contracts, including payments, student data capture and monitoring/evaluation.

Phase Two of the project focused on the costs and benefits associated with competitive tendering processes and paid particular attention to assessing the costs of administration of these processes (discussed in Section 3.11 of this report). Assessment of the costs supplied by State Training Agencies and the benchmarks achieved imply these costs are not as high as originally indicated and are within manageable limits.

**3.4.1 Preferred Provider Approach**

The highly resource intensive nature of the administration of competitive training market activities identified in Phase One of the project has led many States/Territories to consider moving towards a preferred provider approach. Under this approach, open calls for submissions/tenders are not necessarily made. Instead, a provider (or providers) is approached to deliver a service, based on knowledge of their ability to do so and previous performance.

A preferred provider approach would reduce the administrative task and would also reduce the cost to providers of making submissions which may not produce returns. Such an approach also provides some degree of funding continuity to providers, as those with a good track record can expect to be called upon to deliver training on a regular basis (assuming that demand still exists). This encourages the provider to plan for and invest in training provision and facilitates capital planning.

Some stakeholders, (State Training Agencies and providers) however, have concerns that a preferred provider approach is still premature and that it will prove restrictive, as established providers will continue to receive funding, with new providers finding it very difficult to break into the market. While it is possible this may occur, provisions can be made, (eg. special calls for submissions from new providers) so that the efficiencies of a preferred provider approach can be gained, while still providing opportunities for new providers to receive funding.

Some representatives of State Training Agencies and provider organisations have concerns that a preferred provider approach is less transparent and potentially more open to abuse, allowing the favourable treatment of certain providers. Other representatives of State Training Agencies were concerned by the practice of extending contracts or contracting for repeat delivery as implied by preferred provider arrangements, particularly in regard to the long term
contracting of ANTA growth funds which were linked to effort. Further difficulties were seen in regard to the failure of preferred providers to maintain quality training outcomes.

These are difficulties which may occur. However, there are mechanisms for dealing with these situations which can be accommodated with appropriate contract management. For example: the regular monitoring of provider performance including Student Exit surveys would provide a firm indicator of the quality of training being delivered through preferred provider arrangements; and, when contracting out ANTA growth funding ensure contracts do not extend further than twelve months.

The possible favourable treatment of certain providers in funding arrangements is not just restricted to preferred provider arrangements but has the potential to occur in all funding arrangements. Competitive funding arrangements in most States usually involve a committee which is responsible for ensuring probity and balance. The application of these processes to preferred provider arrangements will assist to maintain the fair and equitable distribution of funding.

Other methods of control may include covenants on contracts in which funding is subject to review after an initial set period based on assessment of training outcomes. This would provide State Training Agencies with the flexibility needed to maintain quality training outputs. Providers who did not meet required performance targets would have their contract terminated.

Phase Two of the project has seen the implementation of preferred provider approaches to funding. New South Wales has drawn on the Preferred Provider Model to develop a new funding process referred to as the Approved Providers List. Similar criteria to that of the Preferred Provider Model applies. Providers must demonstrate they are able to meet stipulated criteria in order to be considered for funding. Contracts are awarded to cover repeat delivery of courses over a period of 12 months on the basis of training demand. Providers are not guaranteed repeat delivery but are provided with assurances that if a repeat course is required they will be funded to deliver this training.

Queensland have considered the features of the Preferred Supplier Model in place in New Zealand as a possible alternative to funding extended delivery arrangements. This model allows contracts to be established to cover the distribution of the total funding available for the period of the contract. During the first six months of the contract, 25 percent of these funds are contested. Those providers who are successful in achieving funding during this initial six month period are assessed on their performance over this period to determine further eligibility of training. This model provides the flexibility needed to vary contractual arrangements as required to maintain quality training outcomes.

The preferred provider approach does have advantages, but can also have disadvantages. Its appropriateness may largely depend upon the stage of development of competitive processes within a State/Territory, including the information base available on existing training providers. If it is adopted, ways of ensuring opportunities for new providers to access funding will be needed.

3.4.2 Other Common Themes

From the consultations and discussions for Phase One of this project, other common themes emerged. Despite the lack of consensus about any one “best way” (i.e. tenders, submissions, preferred provider) to undertake competitive tendering processes, there was substantial consensus that whatever the process, it should:

- be open/transparent;
- user-friendly and not overly bureaucratic; and
- be based on quality assurance processes.

It was also acknowledged that current processes tended to focus on training to be delivered within a prescribed time. This not only had the limitations discussed in Section 3.3, but also is at odds with competency-based training which focuses on the acquisition of competencies. Phase Two of the project reaffirmed this position.

The implications of funding courses which complied with competency-based training requirements was discussed with providers. Opinions differed as to the best method of contracting monies for self-paced learning. Some providers believed that the practice of allowing a contingency fee (e.g. 10%), to be costed in submissions to cover any additional costs incurred in the training of “slower” students would provide the required flexibility. Other providers were cautious about this approach as they were concerned that any additional costs in funding submissions could make them uncompetitive in bidding attempts. Many providers were of the opinion they were adequately addressing competency-based training requirements under the present contractual arrangements as they were implementing processes to provide remedial training to those students who required additional learning time. For example, the practice of
allowing those students who failed to complete all learning outcomes, entry into the next available course of the same type and allowing the "slower" student to use unused equipment in other teacher controlled learning situations.

Recognition of Prior Learning (RPL) while a legitimate requirement, is causing providers concern in regard to funding arrangements. The practice of providing student access to RPL on entry into courses which are funded through competitive tendering processes and include refund clauses, may result in reduced funding due to a decrease in student contact hours delivered. The possibility that funding may be reduced if RPL processes are applied is a disincentive in encouraging the implementation of RPL and subsequently requires careful consideration. One way of dealing with this would be to recognise RPL as being equivalent to achieving the student contact hours specified in the contract.

Funding is only one of the issues which impinge upon the effective implementation of RPL. There are many issues of substance which are far greater than the concerns raised in this project and subsequently require further consideration in other forums.

3.5. OPTIMAL TIMING OF COMPETITIVE TENDERING PROCESSES AND BEST METHODS OF LINKING THESE ACTIVITIES TO OTHER PROCESSES

State/Territory competitive tendering processes differ in regard to the timing of advertising for tenders/submissions, the time allowed before lodgement and the time taken to advise applicants of the outcomes. A number of issues concerning timing and links with other processes have emerged from the pilot activities and from the consultations/discussions for Phase One of this project. This is consistent with the Victorian study, Establishing an Effective Training Market, which noted that consideration needs to be given to establishing appropriate time frames for submission processes.

3.5.1. Timing of Calls for Submissions

Calls for applications to deliver "mainstream" training services in the next academic year have often been quite late in the previous year. This is presumably due to the pilot and relatively small scale nature of these activities and possibly to their use by State Training Agencies as a way of "filling gaps" in the State Training Profile.

The relative lateness of the calls for submissions/tenders makes sound planning for the courses more difficult for successful providers and potentially detracts from the quality of the training. This late timing may also discourage some potential providers from making submissions. It may also add to the cost (e.g. a provider in a remote area may have "to let staff go", only to have to re-instate them when they find out that a tender had been won - at considerable extra cost.) Providers reiterated these concerns in Phase Two of the project.

It would be beneficial to the general efficiency and effectiveness of VET provision if calls for submissions/tenders could be made at a time which would allow adequate planning and preparation by the successful providers. Where TAFE Colleges/Institutes are eligible to compete it would, however, be desirable for the call to be made after the College has received advice as to its standard profile for the year in question. If this does not occur, the College would be facing uncertainty on two fronts - uncertainty as to the nature and extent of its approved profile and uncertainty about whether or not it has been successful in its competitive bids.

Providers who were consulted in Phase Two of the project supported the call for submissions at regular times throughout the calendar year. One method of regulating the call for submissions may be to call submissions on a cyclical basis, i.e. at regular intervals, perhaps quarterly or half yearly.

There was considerable support for the regulated timing of calls for submissions to assist in planning, however, there were concerns that the calling of submissions at regular times may impact on the very flexibility needed to provide training at short notice to meet specific industry needs. One way in which to maintain this desired responsiveness could be through the quarantining of some funds for emerging needs.

3.5.2. Time for Submission Preparation

The time between the call for tenders/submissions and the deadline for applying needs to be set bearing in mind the time needed by providers to prepare a sound submission and desire to avoid an overly prolonged process.

Discussions with stakeholders in Phase Two of the project identified administrators of competitive tendering processes.
in the States/Territories consider 3 - 4 weeks to be an appropriate time frame for providers to prepare submissions. Providers on the other hand, believed 4 - 8 weeks is needed to prepare submissions, particularly when they are bidding for multiple courses and when new course developmental work is required.

Those providers who are experienced in lodging funding submissions have found that over time they have developed internal systems, (e.g. data bases of generic course information) which assist in reducing the time needed for submission preparation. However, these providers still require 4 weeks to prepare a sound submission for a course of "average" length.

It was identified in Phase One of the project that the time frame can be made less of a problem for training providers if:

- the guidelines/criteria are clear and well presented in an information package;
- workshop/briefing sessions are made available at which training providers can be briefed on submission expectations, etc; and,
- submission proformas are well designed (providers can also be assisted by having the proforma provided on computer disk using common software).

State Training Agencies have implemented processes to achieve these objectives. These processes were discussed with providers in Phase Two of the project.

**Well presented information packages containing clear guidelines/criteria**

While State Training Agencies have directed their efforts at developing guidelines/criteria which are clear and well presented many providers are seeking further information to guide the preparation of submissions. Some providers have requested: clarification of the terminology used in selection guidelines, (e.g. innovation); more explicit guidelines in regard to which costs can be included in bids, (particularly those bids for funding of courses in rural/remote locations); and, samples of submissions to guide the writing of submissions.

Overall the general perception gained from discussions with providers was that they were unsure of the extent of detail required in submissions. They were looking for guidance as to how much information should be included in submissions and for ways of reducing the time involved in completing submission documents.

**Workshop/briefing sessions for training providers**

General consensus among providers was workshop/briefing sessions provided by all State Training Agencies were a valuable learning resource when entering the competitive training market. These workshop/briefing sessions were credited with providing helpful advice on completion of submission documents and useful information on accreditation/registration processes.

**Well designed submission proformas**

Providers reported the submission proformas developed by State Training Agencies as being relatively simple to follow although there were claims that some States duplicated requests for certain information. While this was accepted as normal government practice it added to the time required to lodge submissions.

One other point which was raised was that while the practice of providing proformas on computer disk was of assistance in completing submission requirements, software, while of common type, was not always compatible with providers systems. This occurred due to State Training Agencies having access to the latest versions of computer software (e.g. Word Perfect 6.1) while providers had older versions of similar software (e.g. Word Perfect 5.2).

Processes to guide submission preparation were well accepted by providers although there was still evidence of some confusion as to the extent of detail required in submission documents.

**3.5.3. Timing of Notification of Outcomes**

The labour intensive nature of submission assessment and the requirement for ratification by Ministers, CEOs or external agencies was identified in Phase One of the project as reasons for delays in the finalising of decisions and hence notification of outcomes. It was agreed that every effort should be made to ensure that an efficient selection process is in place and that delays are kept to a minimum.

Discussions in Phase Two of the project confirmed providers were placed in a tenuous position in regard to planning of future services due to the uncertainty of the outcomes of tender bids. Further difficulties were reported in relation to the capacity of the organisation to maintain course delivery costs to that quoted in tenders when funding agencies were slow in responding to bids. Providers
 Recognised the difficulties of State Training Agencies in evaluating large numbers of submissions but the general consensus was that a period of 4 - 6 weeks was reasonable for assessment of submissions.

Some providers considered it would be an advantage to know when to expect the results of bids and suggested a date for notification of submission outcome be stipulated when bids were called. Other providers were concerned they did not receive any form of acknowledgment of receipt of submissions and asked that formal acknowledgment of receipt of tender be made. These practices were considered possible means of alleviating the tensions experienced by providers when awaiting advice of outcomes of their submissions.

It was identified in Phase One of the project that the timing of the commencement of the training is often governed by the nature of the criteria (i.e. to deliver training within a particular semester). Tenders/submissions may also require the specification of a starting date. It was agreed that while these course commencement times should be adhered to as much as possible, mechanisms for allowing variations (especially in cases on external factors causing the delay) should be available.

Discussions with providers in Phase Two of the project identified time frames from notification of submission outcomes to commencement of training in the majority of States was considered to be inadequate to effectively plan delivery of courses. The majority of providers considered 6 - 8 weeks as being a reasonable time frame to implement training although most providers agreed they could put programs in place on four weeks notice.

Possible solutions which may assist providers to more effectively plan program delivery include provision for providers to modify the starting date, or for the stipulation of starting dates in terms of weeks or months from the time of notification of the outcome of the submission. Appropriate preparation time and time for proper student recruitment/selection are critical to help ensure high quality training provision.

### 3.5.4. Links to Other Processes

Most States/Territories are endeavouring to link their competitive tendering processes to State Training Profile processes in that the training which is contracted out is consistent with those areas of need identified in the State Training Profile submission to ANTA, particularly training needs identified by industry. For example, Victoria directly and strongly links the funding of training delivery through competitive tendering processes to the State Training Profile. The courses, training outcomes and number of places to be purchased is determined as part of the State Training Profile process. South Australia however, in its Diverse Training Market Funding Program (DTMFP) not only aligned the disbursement of funds with State Training Profile priorities but also set aside a small proportion of funds to support innovative and worthwhile initiatives which are: particularly useful in pursuing initiatives for target groups; demonstrate particularly good employment and/or training outcomes; and, address skill shortages and/or the needs of emerging industries.

While this is good practice for the State Training Agency during discussions in Phase Two of the project TAFE Colleges/Institutes reported operational difficulties due to this routine. TAFE Colleges/Institutes are locked into profiles and performance agreements. Certain courses contained within these profiles are duplicated when tendering for additional training. Very often these courses are directed at the same client group which often results in a lack of demand for services due to over supply. Subsequently in some instances TAFE Colleges are unable to meet the performance targets stipulated in their funding agreements.

However, these operational difficulties could be alleviated to some extent, if TAFE Colleges/Institutes refrained from bidding for additional student places if market research showed there was insufficient student demand to maintain training targets.

In some cases (e.g. Western Australia), Industry Training Councils (ITC's) are now asked to identify in their industry training plans not only training needs and other improvements, but specific suggestions on training which, by its nature, might be particularly conducive to funding through competitive processes. In most States/Territories, Industry Employment Training Councils (IETC's) contribute to the process for selecting the successful submissions.

The links between competitive tendering processes and the State Training Profile process, however, are somewhat impeded by the very nature of competitive processes. For example, while the areas to be contracted out may be generated from the needs identified in the State Training Profile and expected contracted training foreshadowed in the Activity Tables in the Profile submission, the very nature of the competitive process adds uncertainty to whether that
particular training is actually delivered - e.g. no worthwhile submissions may be received in a given area of need. To bring forward the competitive processes so that the outcomes are known by the time the State Training Profile is submitted to ANTA (i.e. to about July), would be to lock in the process and reduce the very flexibility which is one of its advantages.

The emphasis in State Training Profile processes on the State/Territory delivering against a student curriculum hour overall target also raises another concern. Competitive tendering processes, with their interest in encouraging new providers and innovative training activity, run an inherent risk of not achieving full intakes into specific (sometimes one-off) courses. Such shortfalls in delivery are not as readily managed across a range of providers running small contracted training delivery as they may be across larger public training providers.

The very flexibility being encouraged through competitive tendering processes also makes those processes difficult to link with other processes designed to inform potential students of their training options. Handbooks and other advisory advertising materials often have to be prepared by about mid-year for the next academic year. The specific courses (and their locations) funded through competitive processes are, however, usually not known at the time of the publication of such advisory material.

For States which are now running centralised VET admissions processes (e.g. Western Australia and Victoria) there may also be anomalies between the centralised student application and selection processes used (and advertised ahead of time) and the flexibilities being sought through the competitive allocation of funds. Here the desire to give advanced information to students and to adhere to equitable and consistent student admission processes may be at odds with the innovation and diversity sought through competitive tendering processes.

3.6. PROCESSES TO ENCOURAGE A WIDE RANGE OF PROVIDERS TO SUBMIT APPLICATIONS UNDER COMPETITIVE TENDERING PROCESSES

Information gathering in Phase One of the project indicated that most States/Territories had found established providers (e.g. existing private or public training providers; existing community groups or Skills Centres) to be the main participants in competitive tendering processes. There had been comparatively few genuine new providers and few enterprises (whose main function is not training), entering into these processes.

A broadening of the market through the introduction of new providers was considered desirable in order to increase market efficiency and effectiveness. There was agreement that there was a need to encourage new providers to respond to calls for submissions. Phase Two of the project reviewed the processes which had been implemented by State Training Agencies to encourage new providers into competitive tendering processes and sought information on new processes which may stimulate broader provider interest in competitive tendering processes.

3.6.1. Current Practice

Most States/Territories use prominent advertisements in newspapers as the main means of informing training providers that submissions are being called. Several States/Territories also provide advanced notice to training providers either by mail (e.g. Northern Territory, and Western Australia for some pilot rounds), or by placing an advance press advertisement (e.g. Victoria and Western Australia in some pilot rounds). In the latter case of Western Australia, this was aimed at giving advance notice not only of the tenders, but also of special workshops designed to brief providers about submission and accreditation/registration processes.

In some cases, steps have been taken to encourage applicants in previous rounds to continue to apply, by writing to all previous applicants to inform them of the next call for submissions.

While press advertisements could help attract new providers into the training market, much of the above effort is directed at encouraging existing providers to make submissions. Victoria, however, has endeavoured to foster new providers by funding workplace delivery of training to the existing workforce. Similarly, Queensland and Western Australia have implemented programs, (e.g. Queensland’s Client Purchase Arrangement and Western Australia’s Enterprise Specific Funding Program) which are directed at encouraging enterprise participation into the competitive training market. Enterprise are encouraged to form partnerships with registered training providers to lodge submissions for funding for workplace delivery of training to
existing employees. These approaches have proved successful in encouraging enterprises to register to deliver training to their own workforce and to upgrade the skills of their employees.

During the last quarter of 1995 Queensland extended their Client Purchase Arrangement to cover training which is directed at volunteers (unemployed people) as well as those people employed by the enterprise. Bids of this type are assessed on a case study basis. Due to the pilot nature of this practice it is too early to evaluate the effectiveness of this process.

The viability of attracting enterprises as providers of training for staff other than their own has been questioned by some stakeholders. There have been reports of difficulties being experienced by large organisations who have provided training to staff from other organisations due to a conflict of business interests. These organisations found that by providing training to staff other than their own they eventually were unable to meet the training needs of their own staff. Ultimately this would have a detrimental affect on the quality of products and services provided in their main stream operations.

3.6.2. Best Practice in Encouraging Submissions

Opinions differ between States/Territories as to best practice methods of achieving greater diversity of training providers. Strategies which have been adopted include publishing articles in trade magazines, conducting public information sessions and the direct canvassing of providers. Whilst no one particular practice has proved to be more effective than another, there is general agreement that it is necessary to actively promote the competitive training market if new providers are to be attracted into it.

States/Territories have developed submission processes which incorporate selection criteria which is practical, easily addressed and allow providers a choice in methods to demonstrate their achievements, (e.g. letters of reference, history of previous performance, or case studies) to encourage new providers into the market. These efforts have been well received by providers although as discussed in Section 3.5.2 of this report there is still some uncertainty as to the extent of information required in submission documents.

Innovation and flexibility has been encouraged in the marketing of training services with most States requiring providers to address “Innovation” in submission documents. This practice, while encouraging providers to be inventive in training provision, has caused some providers concern. Some providers view innovation as being “the capacity of the provider to develop new courses” and are concerned that, in time, new curriculum development will be impractical as there will be sufficient accredited courses available to meet the training requirements of today’s industry. Many providers have not considered “value added” processes as being innovative despite attempts by some State Training Agencies to clarify the criteria applied to determine innovation. Providers have suggested that it would help them in their efforts to develop submissions if specific examples of the required information were provided.

If industry is to be attracted to participate as training providers, and exiting providers are to be encouraged to remain in the market, it is essential that pricing should enable a reasonable return on investment. Providers who are successful in their bids are achieving returns on investment in actual course delivery but many are reporting difficulties in meeting what they term “the hidden costs”. These are the costs incurred in developing funding submissions. The larger provider organisations are able to recoup at least a portion of these costs in successful submissions and cross subsidise any outstanding costs from other business operation although a proportion of this group admit they rely on the goodwill of staff to meet submission requirements.

The smaller provider organisations have a more difficult task. Some of these providers are concerned that by attempting to include even a portion of these costs in submissions they will become uncompetitive. Therefore they make no attempt to recoup any of these costs. At present providers appear to be accepting there are “hidden costs” in competing for government funds, however, in the context of good business practice, they will be unable to continue to absorb these costs. Providers ultimately, must become more sophisticated in the way in which they control their business operations and place greater emphasis on assessing risks as applied to achieving gains.

There have been reports that some training providers have withdrawn from the competitive tendering processes as they had not been successful in bids and were not able to obtain sufficient feedback as to the reasons for their lack of success. Other training providers, who have had mixed results from bidding attempts also suggested there is a need
for greater feedback on the quality of submissions and reasons for not obtaining funding so that they can more effectively participate in the competitive training market.

Contracts of repeat delivery or extended term contracts were viewed as further incentives for encouraging participation in the competitive tendering processes. Contracts of this nature were viewed as a possible means of increasing efficiencies of provider organisations through the reduction of administrative costs, more effective utilisation of work time and improved capacity to forward plan.

Further incentives were seen through opportunity to access government funding for investment in infrastructure. Evidence of the extent of industry interest in establishing and expanding non-public training facilities was provided in Western Australia when the Department of Training received "a total of 46 expressions of interest valued at almost $11M when calling for expressions of interest in national skill centre capital funding grants. This is well in excess of the $7M available nationally under ANTA's Skill Centre funding component" (Update - Issue No.2).

While these strategies may assist in encouraging providers to enter into, or remain in, the training market it should be realised the training market, like all markets, has limitations due to demographic and sociographic factors. These limitations directly influence the extent of the training market and play a large role in determining the number of providers operating within this market. It would therefore appear important to achieve an equilibrium of providers within the vocational education and training market rather than concentrate solely on increasing the number of provider organisations participating in that market.

3.6.3. Partnerships/Joint Ventures

Partnerships/joint ventures between providers are considered to be a practical means of achieving increased efficiency and effectiveness and are viewed as an incentive to encouraging increased provider participation in the market. They have potential for:

- maximising existing human and physical infrastructure through the pooling of specialised expertise and resources;
- reducing wasteful duplication of effort; and
- achieving improved customer service by allowing providers to combine their competitive strengths.

While there are considerable advantages in partnerships/joint ventures, particularly those between public and private providers which allow for efficient use of public infrastructure, care should be taken that this process does not become an artificial device to "prop up" public providers. This would be detrimental to improving the effectiveness and efficiency of this sector of the training market.

An examination of partnerships/joint ventures in States/Territories in Phase Two of the project identified a number of combinations of provider operations including:
- TAFE/University in the delivery of degree courses;
- Private provider/TAFE;
- TAFE/Defence Services;
- Private/private providers;
- TAFE/enterprise;
- Private provider/enterprise;
- TAFE/TAFE cross border operations; and,
- TAFE/industry.

While stakeholders generally viewed these arrangements as being successful in achieving efficiencies, some providers expressed concern in regard to:
- possible industrial relations implications stemming from lack of ownership of public facilities and equipment on the part of TAFE staff and discrepancies in salaries between provider organisations;
- costs of hiring public infrastructure;
- preferential use of public infrastructure;
- perceived difficulties in marketing of training services when public infrastructure is being used by both private and public providers during the same time frames;
- problems in achieving recognition for training efforts due to one organisation only being identified on course credentials; and,
- operational difficulties due to the vested interest of competing provider organisations.

These issues reflect provider uncertainty regarding their contractual rights when entering into partnerships and establishing effective working relationships with other stakeholders. Allen, Allen and Hemsley in their presentation at the 1995 Contracting Out Congress in Sydney, affirmed that while partnerships can achieve efficiencies "there is fear amongst many users that the process leaves many established contractual rights and remedies uncertain" (Allen, Allen and Hemsley (1995) p. 2). The furthering of partnership/joint venture arrangements within VET Sector, particularly in regard to developing provider confidence, may benefit from effort being spent in
3.6.4. "Cost Shifting"

One of the difficulties associated with widening the range of training providers is the potential for "cost shifting", i.e. the shifting to the government of training costs previously met by others. Cost shifting can occur if costs usually borne by an individual (i.e. the student or his/her parents) are shifted to the government, or if the costs usually borne by an enterprise are so shifted.

Encouraging new providers into the training market, particularly enterprises, raises the very real possibility of cost shifting. Enterprises could apply for funding through competitive training market processes and effectively train their own employees with the funds received when previously they had provided the training from their own funds.

Cost shifting by private providers is also a possibility. Such providers could receive government funding through competitive tendering processes, but merely continue to provide the same amount of training, the only difference being that fewer full-fee paying students are trained than previously.

It is of interest to note that in some States, private training providers have expressed concern that their student market is being distorted by students now waiting for a government funded course to run instead of enrolling as a full fee paying student. Ironically, this is an example of clients exercising user choice which results in a cost-shift.

Discussions with private training providers in Phase Two of the project indicated that while the practice of students waiting for government funded courses was an issue processes to manage this situation had been implemented by some providers. For example, one large private training provider who relies on government funding for only 6 percent of its operation, advertises government funded places some weeks in advance of full fee-paying places. They refer to government funded places as "scholarships". Applications for these scholarships are assessed against specific criteria including financial hardship. This process has proved to be very successful. It has provided access to training to students who would otherwise not be able to afford to participate in the courses offered by this organisation.

A form of cost shifting which was causing some TAFE Colleges/Institutes concern was the practice of some private training providers, who had been successful in achieving government funding, encouraging students who were participating in their courses to enrol in TAFE mainstream classes rather than using funding obtained from competitive tendering processes to provide similar training. This was a practice which was not denied by private providers who, in the context of achieving adequate return on investment, could see considerable advantage in the cost savings this practice afforded them. From a State Training Agency perspective this could mean potentially double funding of courses with the same student contact hours being credited against the delivery targets of the private provider who had been funded through competitive tendering processes as well as the profiles of the public provider.

Further funding anomalies occur when organisations who are eligible to lodge submissions, (e.g. Community Private Providers) are also underwritten by public funds. The very fact that these organisations have access to two streams of government funding, (i.e. "double dipping") is an impediment to the submission process.

Opinions differed amongst State Training Agencies as to the importance of the issue of cost-shifting. Some considered that it was often an accident of history that certain training was traditionally paid for by a company or the individual recipient of the training and therefore felt that cost-shifting was not of concern. Indeed, it merely introduced greater equity into the distribution of training funds. What was really important was that good quality training was being provided.

Others, however, saw cost-shifting as a serious issue as it erodes the capacity for government investment in training to actually increase training participation levels and improve the level of skills acquisition in the labour force. Given that ANTA growth funds originate from recognition that training participation targets could not be met without substantial investment in training, cost-shifting would clearly be counter to that purpose.

Approaches to Preventing Cost Shifting

Most States/Territories are attempting to prevent cost shifting within their competitive tendering processes, particularly by specifying that the training for which
funding is provided must be "additional" to that which the agency seeking the funding usually delivers. While there is little evidence that cost shifting is occurring, the general view amongst practitioners is that cost-shifting would be very difficult to identify and prevent.

To ensure additionality and prevent cost shifting, in the case of private training providers the history of previous training effort could be examined to provide evidence that the government funding actually delivered additional training. Given the growing range of labour market program and other training related activities being put to tender, this may prove less than clear cut information.

In the case of an enterprise, historic levels of training effort could be used to determine whether the enterprise was engaging in cost shifting, but again the records are likely to be far from clear and open to various interpretations. One suggestion from a practitioner in Phase One of the project was that an assumed level of training effort funded by the enterprise could be used for this purpose, along the lines of the Training Guarantee Levy (i.e. 1.5% of payroll for companies with a payroll in excess of $200,000 p.a.). This approach, however, would be intrusive, especially as the Training Guarantee Levy is in a two-year hiatus. Other more recent suggestions include obtaining a signed declaration from the Chief Executive of every enterprise stating that training is additional to the training already planned for the organisation, (the process adopted by Western Australia in their Enterprise Specific Funding Program) and only funding a portion, (e.g. 50 percent) of the total cost of training therefore building in an automatic employer contribution.

The progressive application of the Australian Vocational Education and Training Management Information Statistical Standards (AVETMISS) to private training providers may help provide a reference point against which cost shifting and additionality can be checked. For example, Western Australia has installed a database system to record AVETMISS requirements, (e.g. student statistical information, course details, actual student contact hours and student learning outcomes) and to record additional information which might assist the evaluation of provider performance and training outcomes (e.g. details of providers who have been successful in bidding attempts and student destination approximately six weeks after completion of training). While this system has been in operation only a short time it has proved its capacity to identify the double recording of student contact hours by providers, (i.e. public providers recording the same student contact hours as private providers who have been funded through competitive tendering processes). In the meantime, specification of the additionality requirement in guidelines and contracts and attempts at confirming additionality from any data sources which may be available are the real safeguards.

3.6.5. Dependency on Government Funding

Concerns were expressed by a number of representatives of State Training Agencies in Phase One of the project, that a move to the large-scale use of competitive tendering processes could result in the creation of private training institutions which are highly reliant on public funding.

This could lead to the establishment of virtually a "second string" of TAFE Colleges/Institutions, reduce efficiency gains and ultimately limit the diversity being sought through competitive tendering processes. In addition, governments would soon find it difficult to reduce or cease funding to such "public-private" providers because of their dependency on government funding for their existence.

The very nature of some private provider organisations tend to make them reliant on government funding. These provider organisations are non-profit organisations who direct their training efforts at achieving the best possible outcome for all members of the community. Discussions with some of these community providers in Phase Two of the project revealed that while many of these organisations admitted they were fully reliant on government funding other similar organisations were diversifying their services, (e.g. expanding operations to include employment brokerages and "instant office" facilities). Others believed a reduction in available government funding would only mean a reduction in the amount of training they provided.

The general opinion of stakeholders, (i.e. State Training Agencies and Private Providers) was that there would always be a risk of providers becoming reliant on government funding. This could only be prevented by encouraging providers to diversify their operations. The very essence of competitive submission processes provides incentive for diversification as there are no guarantees that providers will always be successful in their bidding attempts.
3.7 QUALITY ASSURANCE

Concerns are often expressed that the opening up of public sector activities to competition will be at the expense of quality service provision. This issue was addressed in a recent paper by Hall and Rimmer (1994) which reviewed relevant international findings. They concluded that “There is no clear consensus regarding the impact of competitive tendering and contracting on service quality” (1994, p.460). Hall and Rimmer also noted that:

“Two important questions arise: does contracting lead to changes in quality specifications and are such specifications adhered to by contractors? There is broad agreement that contracting focuses attention on quality issues and that at the present time there is a lack of high quality and comparable data regarding the impact of contracting on quality”. (1994, p.460).

Given the nature of the services provided by the VET Sector, it is not surprising that concern is often expressed that competitive tendering processes will undermine the quality of the training being provided. The possible entry of new and sometimes small training providers into the market and the consideration given to price in allocating funding through these processes are often seen as threats to quality.

3.7.1. Quality Safeguards

State/Territory Training Authorities are particularly mindful of these concerns and have put in place safeguards to ensure that quality is not sacrificed.

Value for Money

One safeguard is that price is not usually a dominant determinant of submission success in the tendering processes introduced by State Training Authorities (unlike the processes for some Commonwealth Labour Market Programs). The cheapest submission does not necessarily gain the funding. Instead, value for money, i.e. price in the context of the service being provided, is usually the price-related consideration. As competitive processes expand and as budgetary pressures increase, there may, however, be increased pressure to place more emphasis on price.

Other Aspects of the Selection Process

Application and selections processes also include other quality safeguards, requiring the provider to outline the mode of training delivery, support services/facilities and other aspects relevant to the course and/or the student target group.

Industry representatives are often involved in the selection process. Some stakeholders saw this as providing a safeguard to quality, helping to ensure that the training to be funded was aligned to industry requirements and hence likely to produce positive employment outcomes for the students.

As discussed in Section 3.2.2, accreditation/registration is required, either at the time of submission lodgement, prior to the commencement of the training program or later, (i.e. in the case of Victoria, before the end of training delivery). This is seen as providing assurance that basic standards are being met by the provider, as the responsibility for ensuring private providers are able to meet basic standards falls within the scope of the private provider registration process.

Information gathering in Phase Two of the project identified moves by several States/Territories to re-shape their accreditation and registration processes to make them less bureaucratic and more “user-friendly” and streamlined. For example, Western Australia has linked course accreditation to its new Quality System. Providers who are able to demonstrate they can achieve the nine standards stipulated, (i.e. Strategic Management, Customer Focus, Course Design, Development and Review, Training Delivery, Skills Recognition, Human Resource Management, Financial Management and Administration, Assets and Facilities Management and Quality of Process, Product and Service), can achieve quality endorsement. The capacity of the organisation to meet the requirements of the standards stipulated is sufficient to demonstrate to the State Training Board that new courses developed by this organisation are able to meet industry and customer standards. As a result the organisation itself would be able to manage its own accreditation process.

This simplification of accreditation/registration requirements should help ensure that accreditation/registration can be used as a quality safeguard, without raising barriers to new providers or restricting the diversity and innovation being sought through competitive tendering processes.
Other initiatives include those directed at complying with ANTA policy on quality assurance for training providers, i.e.

"By 1996 providers and agencies receiving public funds will have in place quality assurance arrangements determined by the State or Territory" (ANTA (1994a) p. 11)

For example, Queensland requires all its training providers to comply with the Australian Standards Framework on Quality, e.g. ASF3900, by January, 1996 whereas Western Australia has developed its own Quality System, (mentioned in discussion on changes to accreditation processes) to ensure quality training outcomes for users of VET.

3.7.2. Monitoring

There is general acceptance that, in addition to selection safeguards, monitoring of training provided through competitive tendering processes is important, although there is no real consistency across States/Territories in the extent or nature of such monitoring.

Most States/Territories require on-going status reports from providers, as well as financial acquittals as evidence of meeting the terms and conditions of funding. Some augment these with visits by field officers, the auditing of delivery against set standards, student satisfaction surveys and graduate destination surveys.

The practice of requiring financial acquittals has been questioned by some stakeholders. This is on the grounds that if services/outcomes are purchased at an agreed price and the outcomes are delivered, the matter of whether the funds were fully spent on providing the service, or whether a profit was made, is of no consequence.

Use of student retention figures and post-course outcomes information were seen as having only limited use as measures of quality. Students may leave a course for good reasons, including because they have been offered a job possibly as a result of the course. Employment outcomes for graduates, sometimes promoted as an ultimate test of success, may be influenced by many factors including local labour market conditions. The acquiring (or not) of a job after graduation can not therefore be directly attributed to the nature of the training provided.

3.7.3. Evaluation of the Competitive Tendering Processes

Another safeguard to quality is the undertaking of evaluations of the competitive tendering processes themselves.

Queensland has already undertaken an evaluation of the administration arrangements of competitive tendering. As a consequence some refinement of administrative arrangements have been implemented, (e.g. the Steering Group which has representation across all Divisions meet regularly to deal with policy and planning issues). A further evaluation is planned for the second half of 1996 and will focus on the processes applied to competitive tendering.

Victoria has completed an evaluation of competitive tendering processes which was undertaken by private consultants. It is expected that some changes to processes will occur as a result of this survey.

New South Wales as part of their assessment of competitive tendering processes surveyed students participating in courses delivered by private providers to determine employment and training outcomes. It was found that almost two thirds of previously unemployed participants who responded to the survey had secured employment by the time of the survey. 46% of participants who were formerly unemployed, attributed their success in getting a job to their training program.

Western Australia has undertaken internal appraisals of its several rounds of tenders and plans further evaluation of competitive tendering processes in 1996. This information will be consolidated into an evaluation report.

On the whole, these evaluations suggest that the processes have worked quite effectively. There is also, however, evidence of a general commitment to on-going improvement, whereby processes are modified and improved in the light of experience and feedback from stakeholders.

Other States/Territories will presumably be undertaking evaluations of their competitive tendering processes. When more such evaluations have been completed, these might usefully be consolidated and the findings compared.

There is general consensus however, that in order to safeguard quality, evaluation of competitive tendering processes should occur at regular intervals.

3.7.4. Concluding Comments on Quality

The experience so far from State/Territory activities provides little suggestion that quality is in any way being undermined by competitive tendering processes.
The cheapest price has not been driving the process and selection and monitoring processes are in place to provide safeguards to quality. Indeed, in some cases, much more is known about training programs delivered through these processes than about those delivered with funding allocated in other ways.

The assessment by Hall and Rimmer (1994) quoted previously regarding the impact on quality of providing public sector services through competitive processes seems applicable to the VET Sector. Competitive processes have increased the focus on quality, but good comparative data is lacking to enable any real assessment of the impact of those processes on the quality of training provided through them.

The processes themselves, however, along with an increased emphasis in the Sector as a whole on performance indicators and benchmarks, should help provide comparative data in the longer term.

3.8. ACCESS AND EQUITY

Another concern often expressed about competitive tendering processes activities is that they will lead to reduced support for access and equity. This concern again stems from the view that funding will go to the cheapest bidder and that providers will seek to profit from their provision of training services, making them less willing to address the sometimes costly needs of special needs groups.

3.8.1. Current Practice Regarding Access and Equity

While there is the potential for this to occur, there is little evidence that access and equity provision has been adversely affected by competitive tendering processes.

As previously noted, value for money appears to be given more emphasis than lowest price in determining the successful submissions. Furthermore, selection processes often specifically address access and equity considerations. Applicants may be asked to specify the client group and how access and equity needs will be addressed through the proposed training program.

Phase Two of the project identified Queensland as having incorporated Social Justice Principles as a means of achieving a more balanced approach to social justice. These principles are based on strategies which were incorporated in the Vocational Education Training and Employment Commission (VETEC) Social Justice Policy which was implemented in 1993. In 1995 an operational policy was implemented to “translate the thrust of VETEC’s Social Justice Policy and Implementation Strategy into competitive funding processes” (VETEC (1995) p.2) Strategies included funding specific training for members of Social Justice groups, and applying general conditions to training providers when recruiting students, i.e.

“Training providers will be required to recruit students from social justice groups when they are providing any course funded by Competitive Funding Branch. In their offers, providers will include details of how their organisation implements social justice principles in general, and how social justice group participation in the specific course will be encouraged. To this end, social justice could be used as a fifth selection criterion, or be considered under the current criteria, “provider suitability” and/or “appropriateness of delivery plan” (Ibid., p. 4)

The overall submission and the price can then be assessed with these factors in mind. In several States, officers working in Access and Equity focussed units are consulted during the submission selection process.

3.8.2. Lack of Inherent Conflict

Joy Selby Smith emphasises in her paper that a move to a more competitive and open training market does not in itself imply a de-emphasising of equity and social justice concerns, but rather puts the focus on “whether, and to what extent, governments will fund activities relating to the needs of special groups” (Selby Smith 1995 p. 11).

The quarantining of funds for special training provision through TAFE Colleges/Institutes is one option advocated as ensuring equity and access. This approach could be modified to incorporate competitive tendering process so that quarantined equity and access funding are allocated through a submission process which enables open competition between public and private providers (Selby Smith 1995 p 11-12).

The capacity of the competitive tendering processes to stipulate special criteria when calling for submissions is seen as being a further advantage in regard to achieving equity and access.

Phase Two of the project assessed the extent to which this is reflected in the recent study Achieving Community Service...
Obligations in the Emerging Training Market, which has been directed at determining the nature and extent of community service obligations as applied to the provision of vocational education and training. This study suggests “the CSO concept is not a particularly useful one to the VET Sector” (KPMG 1995 p 10). In connection with this study ANTA sought the views of State/Territories on CSO’s, or differential charging in the VET Sector. The results of this survey provided the following examples of reasons for differential charging:

- providing courses which afford equal opportunity to access and participation groups, (e.g. Aboriginals and Torres Straight Islanders, migrants and women);
- delivering VET to small populations in remote locations;
- absorbing the costs associated with lost revenue from fee concession/exemption policies, delivery of mandated courses (e.g. apprenticeship classes) to small class groups, providing training for designated social justice client groups and maintaining, providing support for private providers and industry bodies who utilise TAFE facilities, and administering public infrastructure in low density populated regions;
- allowing small class sizes in workshops to comply with Occupational Health and Safety Legislation;
- observing copyright and charging practices for curriculum development; and,
- meeting apprenticeship training needs in areas which are subject to special legislative requirements. (Ibid. p. 5)

It would appear from the above discussion that ANTA views differential charging for the VET Sector as “referring to specific and accepted social policy objectives reflected in VET delivery arrangements which impose additional costs on VET” (ANTA 1995 - unpublished paper).

The Victorian study while not yet finalised, concludes that new funding models need to be developed to achieve equitable distribution of funds across all training systems.

International research, (Scott (1995) and Self (1993)) indicates that the most desired models are those which have simple funding formulas that make the system of allocating the bulk of VET funding transparent and broadly equitable. Particular equity and access issues for VET target groups may best be addressed through short term “top-up” funding allocations which are specifically justified and regularly reviewed.

3.8.3. Other Access and Equity Issues

At the National Practitioners Workshop held in Phase One of the project, the issue was raised as to whether a focus on outcomes in competitive tendering processes might prove to be to the detriment of groups with special needs.

For example, students with intellectual disabilities often require specifically designed courses but may have difficulty achieving employment outcomes once the course is completed. As a consequence, providers to this special group risk submitting a high-cost proposal which, if funded, might not meet the required course outcomes. The solution to this dilemma is far from clear, but presumably lies in applying outcomes measures relevant to the unique circumstance of students.

A second issue raised at the Workshop addressed a different dimension of equity - i.e. the equitable distribution of funding. This was raised in the context of possible “double-dipping” by some providers who might apply for and receive funding from several sources, basically to provide the same service.

The solution to this problem in part lies with the business ethics of providers and with the processes and cross-checks set in place by State Training Agencies and other funding bodies (e.g. the Commonwealth Department of Employment, Education and Training). As the range and extent of submission-based processes increase, creating greater complexity, the possibilities for double-dipping presumably increase. Several States/Territories are seeking to centralise the administration of different submission-based funding allocation processes. Such centralised units can more easily integrate data bases so that review processes which cross-check for double dipping and assess accountability and acquittal practices quickly identify anomalies.

Recent discussions with providers raised the issue as to whether the credibility of training providers was at risk as a result of dealing mainly with equity groups members of which may have less positive training outcomes. Some providers believed this to be a distinct possibility and consequently were not eager to include training for these groups in their business operations. Others, however, specialised in meeting the needs of equity groups and could see no difficulties with the image this portrayed.

Some stakeholders, (State Training Agencies and Providers), were of the opinion that the payment of incentives to providers to service groups with special needs...
may resolve this issue although others believed it was the responsibility of the government and thereby TAFE Colleges/Institutes to meet these training needs.

On the whole, VET providers expressed a range of attitudes in their willingness to provide courses to access and equity groups. In general, providers viewed access and equity focussed courses as more difficult to provide due to the often complex special needs of participants. In particular, public providers were concerned that they may be obliged to assume the full responsibility for such courses while private providers may have an advantage in providing "easier" non-equity and access courses. In contrast, some private and public providers viewed equity and access clients as part of their customer market segment and saw no insurmountable problems in providing training to these groups.

In some circumstances, community groups who provide a range of holistic services to particular special needs groups could be well placed to bid for funds through competitive tendering processes, with a view to incorporating vocational education and training courses into their total program. Such groups tend to have a thorough knowledge of their client group and can tailor programs to their client's unique circumstances, subject to accreditation standards, to provide an effective course structure. The importance of profit as an incentive for community groups varies, though it was generally thought that community groups tend to expect a modest profit and then use the profit to off-set other programs.

Profit is a valid motivation for providers (particularly private providers) who participate in competitive tendering processes. The potential to make a profit will apply to all courses offered for tender, in order to attract providers to bid for funds. A rational approach to providing courses for access and equity groups through competitive tendering processes will incorporate a suitable monetary reward for providers to off-set high costs resulting from the need for additional resources. For example, courses for Aboriginal people in remote locations typically attract a higher payment than the same course provided in the metropolitan area to non-Aboriginal students.

Many providers expressed their concern at being required to take students from target groups due to the need to provide additional and costly support mechanisms. In the long run, the provision of courses to equity and access groups may require additional planning, funding and evaluation practices in order to attract suitable providers and ensure quality. Some support mechanisms may be required for providers who are well placed and have the potential to become long-term providers to access and equity groups.

Further discussion is required to determine the appropriateness of monetary and non-monetary incentives for providers to service access and equity groups.

3.9. POSSIBLE IMPLICATIONS FOR PROVIDERS, INDUSTRY AND STUDENTS

Competitive tendering processes for allocating VET funding is seen as having beneficial implications for providers, industry and students but it is acknowledged that detrimental implications can also result. How to maximise the benefits and minimise any negative side-effects is being informed by the experiences of pilot programs in the States/Territories.

3.9.1. Students and Industry

Principal benefits for students and employers are greater choice in the range of accredited training and registered training providers, improved responsiveness to industry needs in meeting identified skills shortfalls and more relevant training outcomes. This is offset, to some degree, by the fact that increased complexity through diversification of the training market may lead to confusion by industry and students over the choices available.

One aspect of training offered through the competitive tendering processes which is of concern to students, is the lack of guaranteed continuity of skills formation brought about by the industry specific, short term nature of many of the courses which concentrate on providing base skills and do not provide linkages to further accredited training. This is, however, being addressed in some States/Territories by an emphasis on articulation and credit transfer in the selection criteria and/or employment or further education/training outcomes as part of monitoring procedures.

Phase Two of the project identified that some training providers were implementing their own strategies to assist student access to continuity of training. These include processes directed at ensuring all students are provided with sufficient opportunity to achieve all course outcomes. For example: allowing students access to additional training in parallel courses to ensure they have sufficient opportunity to achieve the required learning outcomes; providing supervised
access to unused equipment and facilities; and, allowing
students to resit tests and examinations if their first efforts
were unsuccessful.

Other efforts have been directed at attempting to develop
short courses which provide improved access to continuing
training. For example, by using course materials which have
been truncated from National modules. While this practice
may ensure some consistency in learning outcomes it has
been reported as having potential to create difficulties for
students in achieving AUSTUDY as student support is paid
only when the student is participating in 80 percent or more
of Certificate courses.

Further inequities may result from training providers
attempts to achieve cost saving by not servicing groups
with limited market power. For example, regional residents
may be disadvantaged due to the lack of student demand for
a particular type of training, thus returning a lower
cost/benefit on investment to training providers.

While the provision of training in regional Australia
(discussed in Section 3.1.2.) may possibly be addressed by
the quarantining of funds, or the use of new technology (e.g.
video-conferencing) there are still situations when it will be
difficult to provide required training to small groups of
people residing in remote locations. The reasons for this are
discussed in Section 3.1.2. of this report and include cost
factors in utilising technology, shortage of available facilities,
(e.g. ISDN linkages) and student preference for teacher
centred learning approaches.

There is agreement that there is a need to better market
training services to industry and students. The current
practice of most States/Territories in developing student hand
books and course information booklets and brochures, based
on the State Training Profile, have proved less than
satisfactory as promotional materials for the competitive
training market. Data is compiled for these publications
usually in June or July for the following calendar year.
Information on courses developed at short notice to meet
industry needs cannot therefore be included.

While counsellors are able to reach school leavers through
career nights and similar events it is difficult to inform the
general public of new training opportunities. This raises the
question of how information on courses offered through
competitive training processes can be effectively
disseminated.

Phase Two of the project identified the Northern
Territory as an example of a State Training Agency which
plans a centralised approach to the dissemination of
information of VET services as a means of better informing
industry and students of VET opportunities. Two strategies
are being considered, i.e. establishing a "one-stop-shop" and
implementing a coordinated media campaign to promote
the products and services of all training providers servicing the
Northern Territory. This centralised approach to
disseminating information on vocational education and
training courses may provide the flexibility required to
promote all courses whether they be delivered at regular
times or on short notice as required by industry as, in time,
people will learn to look to this facility to obtain VET course
information.

3.9.2. Providers

Private providers may benefit in the long term for
competitive tendering processes, through access to additional
market opportunities as a result of breaking the monopoly of
TAFE Colleges, whereas TAFE Colleges may benefit due to
the need to compete for funding. TAFE Colleges are already
fine tuning their operations to provide more cost effective
and efficient services in order to maintain market share.

Further difficulties for providers may result from the
short term nature of existing contracts and lack of
guaranteed continuity of funding. This reduces the incentive
for private providers to develop quality infrastructure and
expertise. This problem could be alleviated by adopting a
"preferred provider" approach in which certain providers are
given preference over others based on ability to provide
quality outputs and value for money. (see Section 3.4.1.)
Another possible alternative would be to fund contracts of
repeat delivery of extended term contracts as discussed in
Section 3.4.2. of this report.

In Phase Two of the project it was identified New South
Wales had adopted a funding model which draws on the
"Preferred Provider Model" and involves contracts for
extended periods. This model is referred to as the "Approved
Providers List" discussed in Section 3.4.1. For providers to
take advantage of this model they must demonstrate they are
able to meet stipulated criteria, based on ability to provide
training, which is over and above the requirements applied
to accreditation and registration. While this model may not
necessarily be of assistance to providers in planning the
future activities of their organisations, submissions will be
called each semester to help reduce difficulties created by short lead times to course delivery.

Providers also have to bear the cost of preparing submissions, many of which may reap no return (discussed in Section 3.11.1). While this cost to the provider could be recouped by factoring in an "overhead" cost to all submissions to help off-set preparation costs, this could render them less price-competitive. (see Section 3.6.2) Furthermore, it ultimately means that government training funds are going to support submission preparation activities rather than direct training.

3.9.3 Industry Involvement

Industry involvement in the identification of training needs and the specification of training outcomes is considered essential. Issues of concern arise from the under-representation of small business in formal industry groups within all States/Territories. (ITAB and IETC membership often consists mainly of large employers and may not represent the majority of business).

This view was substantiated by providers during Phase Two of the project, and was particularly held by providers in rural areas. A number of issues have been raised regarding the inappropriateness of metropolitan driven training in rural/remote locations. These matters relate to the perceived inadequacy of curriculum developed through metropolitan sources in meeting the needs of local industry. Providers are of the opinion that insufficient attention is given to local demographics and societal issues.

Views differ on industry involvement in the actual submission process. Some States (e.g. Queensland), have major industry involvement, while Victoria considers that industry input to training needs identification, State Training Profile development processes and course development and accreditation processes, is sufficient. The potential for conflict of interest, due to industry involvement in both training delivery and the selection process, has been viewed as a concern by some stakeholders.

As discussed in Section 3.6, States/Territories have had fairly limited success in encouraging enterprises to bid through competitive tendering processes. Queensland and Western Australia have developed specific funding programs (e.g. the Client Purchase Arrangement and the Enterprise Specific Funding Program) to attract enterprise participation. Western Australia's first round of tenders for this program was supported by information packages which were forwarded to 200 enterprises. 28 enterprises submitted bids with 26 of these submissions being successful in achieving funding. Queensland has reported a good response to their funding programs.

It is too early to determine the value of enterprise specific funding arrangements as a means of attracting industry into the competitive training market although it would appear that there is benefit in programs of this type. They do provide a means of creating industry awareness of the opportunities available through the competitive tendering of VET.

3.9.4 Overall Assessment of Implications and Costs/Benefits

The implications of competitive tendering of VET for providers, industry and students are still far from being fully identified and understood. Those providers who had input into discussions on competitive tendering during Phase Two of the project cited both advantages and disadvantages in increased competition within the VET. Advantages were seen as:

- increased flexibility;
- greater diversity;
- better utilisation of available resources;
- improved customer focus;
- better quality outcomes; and,
- increased growth potential.

Considered disadvantages were:

- possible fall off in market opportunity for some providers due to new provider entry into the training market;
- operational difficulties for public providers due to regulation which does not allow the responsiveness required to operate in a competitive training market and as a result of industrial relations issues;
- possible lowering of VET services for people residing in rural/remote locations; and,
- increased risk of organisational failure.

While these opinions reflect the views of providers who participated in discussions across all States, consultation was fairly restricted in magnitude therefore these sentiments can only be viewed as an indication of provider views on advantages/disadvantages of competitive training market processes.

Some cost analysis work (discussed in Section 3.11.) has
been completed in relation to competitive tendering processes. This provides an indication of the costs associated with these processes, (e.g. costs/savings to the administering agency and submission preparation costs for providers) although it is considered to be far too early for an accurate picture of the extent of costs/benefits which may be achieved.

Cost/benefit analysis of competitive tendering processes is also made difficult by the lack of information on the full cost of delivering training through existing TAFE Colleges/Institutes. The move towards accrual accounting and the addressing of some of the costing/pricing issues raised in the next section should help facilitate proper cost/benefit analysis.

Even then it will be necessary to recognise that not all the costs or benefits will necessarily be monetary in nature. The recommendation of the Victorian study on Establishing an Effective Australian Training Market, that in the VET Sector an equitable balance between social benefits and cost benefits should be sought, is worth reiterating.

3.10 COSTING/PRICING ISSUES

The experience of States/Territories with competitive tendering processes has helped clarify a number of costing/pricing issues, many of which (e.g. competitive neutrality; access to facilities/capital works funding) have been raised in the context of the Hilmer Report.

3.10.1 Relative Importance of Price in Selection

Costing/pricing issues need to be considered in the context of the relative importance assigned to price in the selection of successful submissions. While the pattern in the tendering out by the Commonwealth of labour market program funds has been criticised for having a heavy emphasis on price, State/Territory competitive tendering processes have largely seen “value for money” as the determinant rather than price alone. This should be borne in mind when costing/pricing issues are considered.

3.10.2 “Level Playing Field”

Both private and public training providers often express concern as to whether they are competing on a “level playing field”. Private providers consider that public providers are advantaged by ready access to facilities and other infrastructure, economies of scale, supposed capacity to “cross-subsidise”, recognition as an established public provider of training and exemption from certain charges. Public providers tend to argue that the private providers are advantaged by greater flexibility in staff recruitment and awards, freedom from other public sector policy guidelines and freedom from community service obligations.

Some States/Territories have taken steps to try to maximise the extent to which a level playing field exists (e.g. by requiring public training providers to include items such as depreciation, full staff on-costs etc) in their submission costings. TAFE Colleges/Institutes in some States reported in discussions for Phase Two of the project that they must specify details of all costs in bids for funding to enable State Training Agencies to assess whether these costs have been included in submissions. These TAFE Colleges/Institutes were critical of this practice as they believed similar processes should be applied to private providers.

Most States/Territories acknowledge, however, that a truly level playing field is difficult, if not impossible to achieve. One reason, for example, is the current lack of full cost attribution information for public providers.

Most administrators of competitive tendering processes consider that equitable consideration can be given to submissions despite the lack of fully comparable price comparisons. Strategies include examining submissions in “blocks” (i.e. private providers as a block) and taking account of other attributes of the submission in addition to price, including qualitative aspects.

Amongst administrators of the process there is also some consensus that, while the most obvious pricing anomalies should be addressed, what is more important than the pursuit of the truly “level playing field” is a transparent process in which applicants are well informed about criteria, expected outcomes and selection processes.

Curriculum Ownership

The issue of ownership of publicly funded curriculum is one of contention particularly when considering a level playing field. State Training Agencies generally support private provider access to publicly developed curriculum. The main difference between States is whether private providers should be given the curriculum free of charge or whether they should pay for it. For example, Queensland would like private providers to have free access to publicly funded curriculum.

Public providers, (e.g. TAFE Colleges/Institutes) argue
that the practice of allowing private providers access to TAFE curriculum gives private providers a competitive advantage. The reasoning which is applied to this view relates to the perceived market advantages private providers have through not having to fund developmental work thereby enabling them to offer courses at a lower price than TAFE Colleges/Institutes. On the other hand, some private providers see no reason why they should not have free access to TAFE curriculum when it has been funded through money received from tax payers and they, as tax payers, have contributed to these funds.

While the growing trend to nationally funded curriculum development may assist in resolving these concerns, further consideration of the implications of access to curriculum is required at national level by ANTA and the Standards and Curriculum Council as well as State Training Agencies.

3.10.3 Treatment of Capital Costs

One area in which consensus is emerging in regard to pricing concerns the treatment of capital costs. Ready access by public training providers to capital infrastructure (buildings, special equipment) already provided at public expense is seen as a major factor contributing to the lack of a level playing field when prices are being compared. The inability of private providers to access such facilities, even if they are prepared to pay, is also seen as limiting the extent to which they can compete with public providers. In the more general context, the Hilmer Report identified access to essential facilities as a main principle of a national competition policy.

The recent ANTA National Project, Public Investment and Capital Charging in VET Infrastructure managed by Victoria in co-operation with New South Wales and Queensland, has developed a model for the phasing in of charging for TAFE infrastructure. New funding models have been developed which incorporate provision to charge public providers for the use of TAFE infrastructure and to recoup funds from the sub-lease of TAFE infrastructure to other providers or user groups. This approach would provide private providers with access to essential facilities as supported by Hilmer and will assist competition between private and public provider organisations.

In theory, a training provider could include capital costs within a bid. In practice, the inclusion of capital costs has not been encouraged by State Training Agencies. Where equipment costs are permitted in bids, leasing rather than purchase costs usually have to be specified.

Discussions with providers in Phase Two of the project indicated that the majority of providers were not attempting to recoup capital costs in submissions as they believed the inclusion of additional costs to cover capital expenditure would make them uncompetitive in bidding attempts. However, in the context of good business practice, providers will ultimately need to be able to recoup capital costs if they are to maintain viable operations. This is an issue which requires further consideration although some of the problems associated with capital costs may be minimised by providing private providers with access to publicly funded infrastructure.

Joint ventures between public and private training providers, (discussed in Section 3.6.3.) offer another way by which private providers can overcome the problem of access to buildings or special equipment. While joint ventures should also help optimise the use of existing facilities and help produce economies of scale there are many issues which have been raised by providers. These include: costing and administrative issues; preferential use of facilities; marketing concerns; industrial relations implications due to different rules and awards governing employees of private and public provider organisations; and, maintenance of buildings and equipment. Further discussion of these issues and existing partnerships is presented in Section 3.13. of this report.

ANTA is currently promoting the expansion of its capital works program funding to include private providers. This is unlikely, however, to ease the problem of access to capital infrastructure for most private providers, given the finite nature of those funds, (e.g. $7M in 1995 allocated to support skill centre capital funding) and the long lead times in the planning of major capital works programs.

Access to existing buildings and equipment by private providers therefore becomes a more viable option.

3.10.4 Differential Charging

Another concern relating to the lack of a level playing field relates to the obligation of public training providers to address specific community needs or obligations which they consider escalate their tender/submission price. How to make allowance for differential charging in a competitive training market context is an issue which most States/Territories are still to resolve.
This issue is often seen as related to access and equity considerations, (discussed in Section 3.8), with provision for special needs groups being deemed an obligation of the government. Competitive tendering processes are often seen as likely to undermine provision for such groups, with bidders avoiding focusing submissions on them or avoiding taking people with special needs into courses because of the cost impact. Selby Smith (1995, p.11) made the observation however, that the move to greater competition does not necessarily imply giving a lower priority to those with special needs. Instead, special funding could be set aside for such groups, with access to such funding being allocated to providers on a competitive basis. The Victorian experience with tagging funding for special needs groups as part of College profiling activities is given as an example.

The ANTA National Project, Achieving Community Service Obligations in the Emerging Training Market, (mentioned in Section 3.10.3) argues that new funding models are required to achieve equitable distribution of funds across all training systems. KPMG Management Consulting recommended VET draw on the Casemix model implemented by the Health Sector, which accounted the characteristics of people when developing new funding approaches. A further recommendation was that a process to fund concessions be considered which could be controlled from the State Training Agency rather than one which is controlled by individual colleges. It was believed the separation of management functions would assist States in addressing Government obligations as they are applied to the VET Sector.

3.10.5. Student Fees

How student fees should be handled in competitive tendering processes is an issue which received limited attention in this project. This matter could be discussed in relation to pricing, access and equity or the nature of contracts, but is treated here for convenience.

Student fees for TAFE tuition have been charged by most VET systems for several years. These fees may either be returned as revenue to Treasury or kept by VET systems or TAFE Colleges and applied to meet costs under revenue retention arrangements, depending on local Treasury requirements.

TAFE tuition fees arrangements therefore raise the issue of whether fees should be charged for training services provided by a training provider funded through competitive tendering processes?

If such fees are not charged, revenue is lost and students avoid a charge which they would have incurred if they studied through a TAFE course funded through standard means. In a sense this is a type of cost-shifting in that government funding is meeting the full cost, with no contribution by the student.

If fees are charged, issues arise of who should collect the fee, whether the fee should be retained by the provider who might be required to discount it off the bidding price, or whether the fee should be relayed to the funding agency.

Commonsense would suggest that the tuition fees applied to TAFE courses should also be applied to publicly funded courses provided by other providers and funded through competitive tendering processes. How fees are then handled would depend on local Treasury practices and can be specified in the delivery contract.

It is of interest that there are marked differences between States/Territories in how tuition fees and charges are treated in competitive tendering processes. Some States allow the provider to set the fee, others prescribe fees equivalent to those charged by TAFE Colleges and others stipulate that no fees will be charged. Some charge fees for certain courses put out to competitive tendering processes but, consistent with Commonwealth guidelines, specify that no fee is to be charged for training provided through Commonwealth Pre-vocational Places Program funding allocated by identical methods as this is a requirement of that program. One State noted that students studying at TAFE Colleges are required by that State’s legislation to pay certain fees and charges, but no such obligation exists in regard to private providers.

Other difficulties occur in regard to the reimbursement of course fees for concessional students. For example, South Australia provides a reimbursement to providers for concessional students for the student fee (which is a contribution to student services and administration costs for the course). However, no reimbursement is given to providers for the materials fee for concessional students although this does not prevent providers themselves offering a concession regime for the materials.

As mentioned in Section 3.6.4. of this report private providers in some States (i.e. Commercial Colleges) expressed concern that the discrepancies in the application of fees to one group of students and not to another had the potential to
distort the training market. They reported difficulties due to resentment between non-fee-paying and fee-paying students and as a result of students opting to wait for government funded courses rather than enrolling in full fee paying options.

As the amount of funding allocated through competitive tendering processes increases, State Training Agencies and/or Treasuries will need to give further consideration to issues relating to student fees and charges particularly in regard to consistency and simplification of procedures.

3.10.6. Funding Incentives/Disincentives

The active approach to resource allocation, (e.g. competitive tendering processes) which incorporate arrangements to modify funding on the basis of performance, (e.g. refund clauses) raises many issues. Some State Training Agencies have implemented processes which allow payments to be reduced if there is a drop-off in student numbers.

Most States use an incremental payment process to reward providers for delivering courses. Providers receive partial payment at specified intervals based on achievement of stipulated criteria. For example, Western Australia in its Industry Specific Funding Program, pays 80% of funding in each semester upon receipt of the first report which must contain enrolment and curriculum details and must provide evidence of a minimum of 65% of student contact hours being delivered. A second payment of 20% is paid on receipt of the final report which is due within one week of the completion of training for that semester.

In some States (e.g. New South Wales and South Australia) funding arrangements stipulate payments will be reduced if student numbers are not maintained in courses.

These funding arrangements are a concern to providers who, irrespective of the number of students who commence or complete training, are faced with the same costs for overheads, (e.g. staff salaries, cleaning and maintenance and other on-costs). They believe the application of refund clauses in funding arrangements put their organisations at risk.

State Training Agencies who impose incentives/disincentives on funding arrangements, on the other hand, believe providers should be paid on performance to ensure quality training outcomes. They consider it the responsibility of providers to implement processes which will assist them to retain students. For example: the modification of student selection processes; and, student withdrawal surveys. Other State Training Agencies are sensitive to active funding as the application of refund clauses and other similar incentives/disincentives in funding arrangements are problematic to the smaller provider organisations who are not sufficiently diverse across a field of studies.

The increased use of active funding models will require further consideration to be given to processes to achieve an appropriate balance as to the risk to be taken by State Training Agencies and providers.

3.11. COSTS OF COMPETITIVE TENDERING PROCESSES

In Phase Two of the project State Training Agencies and training providers provided information on the costs associated with the competitive tendering of vocational education and training funds based on their experiences to date.

3.11.1. Cost of Lodging Submissions

The cost to providers of lodging submissions are referred to by them as the "hidden costs" which apply to the competitive training market. These costs as applied to single bids, range from between $800 to $1,600 with the majority of submissions costing $1,000 to prepare. The size of the course for which funding was sought had a direct bearing on the cost of lodging the submission. For example, one private provider was able to access computer records which showed submission costs for a short course (i.e. of six months duration or less) were $700 - 800, a twelve month course cost $900 - 1,000, and a two year course cost $1,000 - $1,100.

These costs are compounded depending on the success ratio of bidding attempts. Providers quoted success rates of 33 percent to 90 percent with the majority of providers quoting 70 percent success in bidding attempts.

Some providers were able to recoup the full costs of lodging tenders in successful funding submissions. Others were able to recoup a portion of these costs in successful bids, whereas others were unable to recoup any of the costs of submitting bids and believed by attempting to do so they would become uncompetitive. Some providers were able to cross-subsidise these unmet costs from other business operation whereas other providers relied on the commitment of staff to invest unpaid time in meeting submission.

50
requirements. This latter practice was believed to be one which could not continue indefinitely.

While the full extent of these costs are directly related to the number of bids for funding lodged by the provider and subsequently are within the control of this organisation, the opportunity to recoup at least a portion of these funds, would ultimately encourage providers to remain in the competitive training market.

3.11.2. State Training Agencies - Administrative Costs

The competitive tendering of vocational education and training funds is considered to be highly resource intensive and yet active funding models such as increased competition for funds are viewed as being central to achieving increased overall efficiencies. As competitive tendering processes are still in the early stages of development the actual costs of administering these processes may be distorted. For example, some States have not completely separated competitive tendering processes from other processes of operation, whereas other States who have segregated their competitive tendering units do not as yet, have them fully resourced. Given these constraints, States/Territories have provided details of known costs of administering competitive tendering as they applied in the 1994/1995 financial year.

States have accounted costs of direct and indirect salaries, salary on costs, advertising of submissions, staff training to use systems, stationery and miscellaneous items as applied to the assessment and evaluation of submissions. The total of these costs for the 1994/95 financial year have been compared against the total sum funded through competitive tendering processes for the same period to determine a cost benchmark. Preliminary estimates of the costs of administering competitive tendering processes as a result of these procedures identify benchmarks which range between 2% and 6%.

While it is assumed these overheads will not increase there is a need for continued monitoring of costs to ensure costs of administration of competitive tendering processes are maintained within acceptable limits.

It should be noted that while the costs of administration have been based on the total funding allocated through competitive tendering processes these costs are funded through State Training Agencies by utilising a combination of State funds and funds which are quarantined for use in administering DEET funds.

3.11.3. Costs of Delivering Training

The lack of accurate information on the actual cost of training funded through State resources to maintain TAFE College/Institutes made it extremely difficult to compare costs of training offered through College profiles against the cost of training offered through competitive tendering processes. It was possible, however, to compare the average cost of training delivered by private providers against the average cost of training delivered by public providers which has been achieved through competitive tendering processes in each State.

Average costs have been calculated based on the total cost of training delivered by providers, (i.e. public providers and private providers) divided by the actual number of student contact hours but does not account for differences in costs of course delivery due to vocational field or client group. The results of these calculations show the average cost per student hours for providers as they applied across the States/Territories.

The average cost per student hour for courses delivered by private providers ranged from $6.60 to $9.50 whereas the average cost per student hour for courses delivered by public providers was $6.75 to $7.30.

The figures quoted provide an indication of the benchmarks which have been achieved through the competitive tendering of VET funds. It will be some time before a true picture of the costs and efficiencies which can be achieved through competitive tendering processes will emerge.

3.12. NATURE OF CONTRACTS

The nature of contracts and agreements used in the competitive tendering process differ between States/Territories. For example, in Tasmania contracts have, to date, been formulated by exchange of letters between involved parties. That State has recently established a small working party to determine the format for contracts in 1996. Providers are being asked to consider a range of options to guide the future distribution of funds, (including a more formal tendering process in which providers must enter into a formal contract or agreement with the State funding agency) and to provide feedback on which alternative is considered to be the most appropriate.

All other States currently require the signing of a formal agreement by the training provider although in some cases the contract is with the actual funding authority, (e.g. New
South Sales and Northern Territory), and in others it is with an intermediary agency such as the State Supply Commission (Western Australia). These agreements outline the conditions and responsibilities of both parties, including the amount of funding, the payment schedule, evaluation and reporting requirements, acquittal of funds, termination procedures, and acknowledgment requirements.

Provisions for accountability of public funding include:

- payment schedules which provide some payment during the course, with the final payment sometimes occurring after satisfactory course completion;
- reporting and acquittal requirements; and
- agreement to participate in, or assist with, monitoring/evaluation processes.

From the perspective of the training provider, these requirements may be seen as bureaucratic and as a disincentive to applying for further funding.

Suggestions to ensure accountability without overburdening providers emphasise the simplification of processes to meet audit specifications. Contracts and agreements should be in simple language, clearly worded, specify the expected training outcomes and the requirement to participate in monitoring and evaluation procedures and be legally enforceable.

The use of prepared reporting forms which require the provider to include only basic information regarding current enrolments, the signing of an appropriate acquittance regarding the disposal of funds and certification that agreed outcomes have been achieved, as well as new initiatives being considered by some States to simplify the agreement process, are seen as a means of accomplishing this goal. For example, initiatives are being considered by Victoria as a means of simplifying funding agreements. These include enforcing a funding agreement for the first funding to a private provider and then only adding addendums to this agreement to cover future delivery.
4. OTHER MATTERS

4.1. USER CHOICE

5. CONCLUSIONS

REFERENCES
4.1. User Choice

This project has mainly focussed on competitive tendering activities of State Training Agencies. It has not looked at user choice, another competitive training activity, as it is still in the pilot stage and beyond the scope of this project.

Nevertheless, user choice is an important competitive strategy to improve the responsiveness and diversity of the training system. It should, therefore, be considered in conjunction with issues surrounding competitive tendering to ensure that the competitive training market practices work in accord with each other. Further, many of the issues raised in this report have parallels with issues relating to user choice.

The ANTA user choice national project is being conducted over 1996 to promote user choice activity for apprentices, and trainees and in situations outside a contract of training where there are access and equity considerations to be addressed. Further examination of issues relating to user choice and developing the training market would be more appropriately achieved through the evaluation of specific user choice pilots.
This study has focussed on the competitive tendering of VET funds across State systems since early 1994. Experiences within competitive tendering have suggested that competitive processes can operate effectively in the VET Sector to increase flexibility and responsiveness in training provision, as well as positive cultural change within TAFE Colleges/Institutes.

There is an emerging consensus that substantial VET delivery could be funded through competitive tendering processes, but there are reasons for supporting an incremental approach. While considerable advances have been made by all States in the allocation of resources through competitive tendering processes there are many issues which require further attention. These include:

- developing appropriate mechanisms to achieve maximum advantage from publicly funded infrastructure;
- determining processes to achieve equity and access in VET Sector;
- introducing more resource effective administrative processes;
- safeguarding quality;
- ensuring adequate information is available to clients to enable them to make informed choices;
- ensuring efficiency and achievement of delivery targets in a more diverse training market;
- developing processes for handling student tuition fees and other administrative arrangements within the context of the competitive training market; and,
- clarifying the implications of Competition Policy for VET.

State Training Agencies have gained much experience from their pilot competitive tendering activities. This project has helped to disseminate information on emerging trends, policy positions, operational processes, issues and best practices arising from those activities.

Future Directions

At this stage in the development of competitive tendering in the VET sector it is difficult to predict the direction future developments will take.

One possible "future" could see competitive tendering processes become the major mechanism for the allocation of VET funding by State Training Agencies. The current project indicates that the large scale application of competitive tendering processes should be technically possible and that pilot activities have so far been relatively effective and have not shown the adverse consequences feared by some stakeholders (e.g. adverse impact on access and participation by special needs groups; reduced quality of training services). Furthermore, State Training Agencies have been adapting and evolving their competitive tendering/submissions processes as a result of experiences arising from the pilots, to make competitive tendering a more diverse, responsive and effective funding allocation mechanism. Nonetheless, the current project indicates that large scale competitive tendering of VET funding may present difficulties to State Training Agencies in terms of their longer planning as well as being administratively complex. Difficulties for training providers and their clients may also result and the implications of competitive tendering for providers and clients are still far from fully understood.

An alternative and possibly more likely "future" could see competitive tendering of VET funding being used mainly to ensure that new training providers and services can be brought more readily into the training market to meet industry and student needs. In this "future", competitive tendering activities will have helped to identify training providers and their respective capabilities, enabling effective "preferred provider" approaches to be put in place. Preferred provider approaches and "bulk purchasing" handled through profiles negotiated by State Training Agencies with public providers and also major private providers would, however, be the dominant methods of allocating VET funding. These approaches would increasingly contain elements of competition in terms of the consideration given to quality of service, user choice and cost effectiveness. They would therefore provide many of the benefits of competitive tendering processes, while also providing a more managed and planned environment in which State Training Agencies, training providers and clients can operate.
Other variants on the two "futures" described above are, of course, possible. Indeed, different States/Territories may develop their VET processes in somewhat different ways to meet local needs and circumstances.

Whatever the future for competitive tendering in the VET Sector, recent developments in this area, along with other elements of training reform, are helping to stimulate a more diverse, responsive, customer focussed, outcomes-oriented and cost-conscious VET system. Planners and providers are increasingly focusing on both the effectiveness and efficiency of VET provision. Competitive tendering has also helped both planners and providers question the assumptions and conventions underlying traditional VET provision. The spirit of competition, with a focus on cost effective service delivery which meets client needs, can be expected to continue to shape the VET Sector regardless of the specific administrative and other arrangements which emerge.
References


Australian National Training Authority (August 1995) Ministerial Council Paper - The Implications of Competition Policy for VET.


Australian Property Group in association with Asset Strategies Pty Ltd Summary Report, Research Project on Public Investment and Capital Charging in TAFE Infrastructure, South Australia.


Education Department of Western Australia (1993) National Competition Policy Report by the Independent Committee of Inquiry, Western Australia.


Ministry of the Premier and Cabinet (1994) Competitive Tendering and Contracting Guidelines for Use by Agencies, Western Australia.


Senate - Standing (Friday, 27 October 1995) *Employment, Education and Training*.

Scott, G (April 1995) Speaking Notes: *Separation of Funding, Purchasing and Providing in the Delivery of Public Services*, Workshop in Adelaide, South Australia.


Western Australian Department of Training (October, 1995) *Update Policy Directions in the Vocational Education and Training Sector - Issue No.2*.

Western Australian Department of Training (April, 1995) *Developing the Training Market*, Volume One, Perth, Western Australia.

Western Australian Department of Training (April, 1995) *Developing the Training Market*, Volume Two, Perth, Western Australia.


**NATIONAL PROJECTS**

Documentation and information obtained from discussions with Project Managers and representatives of the State Training Agencies responsible for the ANTA National Projects listed has been used as a reference for this Project.

Office of Training and Further Education, Victoria (1994) *Establishing an Effective Australian Training Market*


APPENDIX: STATE/TERRITORY OVERVIEWS

OPEN TRAINING MARKET ACTIVITIES

AUSTRALIAN CAPITAL TERRITORY
NEW SOUTH WALES
NORTHERN TERRITORY
QUEENSLAND
SOUTH AUSTRALIA
TASMANIA
VICTORIA
WESTERN AUSTRALIA
PHILOSOPHY / INTENTIONS

The conditions necessary for the existence of a market for training in the ACT are present to only a minor degree. While demand remains strong and is expected to increase as the AVTS becomes more widespread, the volume of demand is small. There is, however, a fundamental weakness in regard to the supply of training as the provision of training is dominated by the one public provider, the Canberra Institute of Technology, (CIT) formerly ACTTAFE. The situation reflects essentially past government policies and practices which fostered the supply of vocational education and training almost entirely by public providers. This situation has only recently been regarded as in need of reform.

The ACT is therefore adopting a cautious approach to developing the training market to ensure that the few existing suppliers remain viable and are not forced out of the market by unrestrained moves to tendering and other market measures. The approach is underlined by a need to ensure the maintenance of supply particularly in the traditional trade areas with high delivery costs and to avoid the duplication and under utilisation of expensive infrastructure. Such an approach requires that the CIT and other suppliers understand the reasons behind the moves towards a more competitive training market and the restraints involved in the implementation of such action.

AGENCY RESPONSIBLE FOR THE PROCESS

The agency responsible for the allocation of funds for VET by competitive processes is the Vocational Training Authority (Vocational Education and Training Authority from 1 January 1996).

NATURE AND EXTENT OF THE COMPETITIVE TRAINING MARKET

It has been pointed out above that a competitive training market in the ACT hardly exists.

Reflecting the size of the ACT, the Canberra Institute of Technology is administered centrally and there is only one teaching school for each broad occupational area usually on only one site. There is thus no competition between sites or across the Institute. An indication of the significance of the CIT as a training provider is that about 95% of enrolled students in VET courses in the ACT attend the Institute.

There are relatively few alternatives to the CIT particularly for training beyond the entry level. Two commercial training providers offer a range of courses in business/office administration, marketing and hospitality. However for specialist short term courses, a competitive situation exists between the consultancies of the major accounting and computing firms and owner operators responding to the specific needs of employers.

The Training Market Development Program has been established as the means of allocating the ANTA growth funds earmarked for open training market purposes. In 1995 $200,000 has been committed to the Program which represents nearly 20% of ANTA growth/recurrent funds. This will increase to $500,000 in 1996 estimated at over 30% of growth funds.

The objectives of the Program are to:

• expand training opportunities in areas identified as priorities in the ACT Training Profile;
• improve the client focus of courses;
• promote innovation in course development and delivery; and,
• promote the development of partnership arrangements with other providers, employers etc.

Training market development is facilitated by the process of seeking competitive submissions against pre-determined guidelines/criteria. These guidelines allow for courses to be funded for up to three years and provide for a course to be delivered over this period (as distinct from being repeated). Submissions are sought by advertisement in the press and by mail out. Successful applicants are determined by the Executive Committee of the Authority having regard to the views of the relevant ITAB.
The Program is open to private and public providers, employers, Group Training Companies etc. Only ITABs are specifically excluded. It is the express intention that providing courses meet the guidelines, grants be awarded on the basis of a spread across the range of providers and priority areas.

All funds available under the Pre-vocational Training Program are allocated by similar processes.

**POLICY DEVELOPMENT**

Effort in 1994 and 1995 has concentrated on developing processes for grant allocations under the Pre-vocational Places Program and developing the Training Market Development Program. Future policy development will be in the areas of monitoring and evaluation and in reviewing course assessment processes.

**FUTURE DIRECTIONS**

Following the evaluation of the Training Market Development Program, ways to reduce costs of administration by a process of funding for training outcomes in specified occupational areas by preferred trainers will need to be explored. As experience in allocating funds under the two programs develops and in the light of the experience of other States/Territories and as more robust private training providers emerge, the question of subjecting a greater proportion of funds presently allocated directly to the CIT to competitive processes will need to be reviewed.
In addition to a large public provider sector, there are a large number of community based and private training providers in New South Wales that service a diverse training market in both metropolitan and regional locations. NSW has actively sought to develop the training market to increase flexibility and the range of areas in which private and community based training providers are active. NSW established a program to encourage competitive procedures in specified areas of publicly provided vocational training in 1994, and has been developing the program and processes since then.

**PHILOSOPHY/INTENTIONS**

Strategies to develop the training market in NSW have focused on:
- the Competitive Training Provision (CTP) program; and
- the User Choice pilot.

After a successful pilot with the Private Provider Pilot (PPP) program in 1994, the Contracted Training Provision (CTP) program was established in 1995. The CTP program continues on in 1996, and its competitive tendering processes have been extended to apply to the Commonwealth Pre-vocational Program (CPP).

The PPP and the CTP programs are both funded by Growth funds from the Australian National Training Authority (ANTA) as part of the national strategy to expand vocational training effort in a competitive environment relevant to industry needs. The program is a key part of the Government Strategy to expose TAFE and other public providers to competitive pressures, thereby achieving enhanced performance, flexibility, innovation and responsiveness to the needs of industry and individual clients.

TAFE has responded by participating in the competitive tendering arrangements at an institute level. Naturally, TAFE's consultative and planning mechanisms ensuring an overall response to identified training needs in NSW continue to be implemented.

NSW is also currently implementing the User Choice Pilot, which is a National Project, funded by ANTA. The pilot commenced in 1995, and continues to run in 1996. This program seeks to open up the training market, establish a unit cost for training provided for apprenticeships and traineeships, provide for choice of training provider on the part of employers and their employees, and encourage flexibility on the part of training providers in meeting the stated needs of employers of trainees and apprentices. It uses a number of means to promote this aim. Choice regarding training provider and delivery is made available to the employer. Consequently, the proportion of private to public providers funded by this program depends very much on the choices made by participating employers.

**AGENCY RESPONSIBLE FOR THE PROCESS**

Both the CTP and the User Choice Pilot programs are administered by the Department of Training and Education Coordination under the delegation of the NSW Board of Vocational Education and Training (BVET).

**NATURE AND EXTENT OF THE COMPETITIVE TRAINING MARKET**

The competitive market in New South Wales is particularly strong in the areas of clerical, and hospitality training. However, this is extending into areas such as electronics, information technology and other areas with the growth in available traineeship packages.

**Competitive Tendering Processes**

Since 1994, an increasing proportion of ANTA Growth funds have been put out by BVET to competitive tender (see Table 1).

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>No. Training Providers</td>
<td>40</td>
<td>88</td>
<td></td>
</tr>
<tr>
<td>No. Courses</td>
<td>116</td>
<td>335</td>
<td></td>
</tr>
<tr>
<td>No. Places</td>
<td>1,600</td>
<td>5,423</td>
<td></td>
</tr>
<tr>
<td>Funds committed</td>
<td>$3M</td>
<td>$7.5M</td>
<td>Projected: $21.8M</td>
</tr>
</tbody>
</table>

DTEC is establishing a period contract (the Approved Providers List) from which Departmental officers will select and place orders to purchase courses under the CTP and the CPP. New South Wales TAFE Institutes are invited to participate in the tendering process, and will make tenders to DTEC to be placed on the Approved Provider List.

DTEC's decision on which areas to fund are based on needs identified by the State Training Profile.
A further development for courses to run in 1996 has been to limit the number of courses of less than 200 hours duration. Ten percent of the budget will be set aside for such courses, the remainder to be dedicated to courses of 200 hours or more. The main reason for this was to reduce potential for cost shifting from the private to the public purse, as short courses are more commercially viable than longer courses.

Submissions are invited from providers in the following categories:

- Public providers;
- Commercial providers;
- Industry based providers including skill centres, employer and employee training bodies;
- Enterprises providing in-house programs including on-the-job training; and,
- Community based training providers.

To be eligible for funding during 1996, the training programs must:

- be accredited by Vocational Education and Training Authority Board (VETAB) or be recognised nationally under the National Framework for the Recognition of Training; and,
- meet an emerging skill need arising from job creation in the major growth industries identified in the State Training Profile.

**User Choice**

Employers of apprentices and trainees are encouraged to make an active choice of training provider and also are encouraged to negotiate over a range of delivery issues concerning the appropriate apprenticeship and traineeship courses. Encouragement has been in the form of:

a) providing Training Directories for two industries where there are a large number of private training providers; and,

b) giving identified employers the opportunity to negotiate a deal and recommend to DTEC an appropriate delivery price with the training provider of their choice.

**Policy Development**

It is hoped that the outcomes of the User Choice Pilot will provide some direction as to policy changes required to develop the training market.
Competitive tendering of training funds has progressed in the Northern Territory due to the efforts of the Northern Territory Employment and Training Authority (NTETA) which has developed systems and processes to encourage a competitive training market. The Northern Territory has a diverse range of providers who compete for funds to provide training across urban, rural and remote locations.

**PHILOSOPHY/INTENTIONS**

The NTETA as implemented a program of competitive resource allocation in order to support a diverse and increased range of providers participating in the recurrent funded training market thus encouraging a stronger focus on cost efficiencies and client responsiveness, along with improved system performance, recorded and monitored against identified criteria.

Strategies to support this outcome:

- Increase the level of growth funding to private providers from 18% in 1994, 45% in 1995 to 50% in 1996 and extend competitive bidding to elements of the base profile in 1997;
- In 1995 implement and in 1996 evaluate “user choice” activity through the Training Network (NT) with criteria including percentage increase in remote and regional training delivery, level of user choice, and level of client satisfaction;
- Monitor and implement as appropriate, developments in the national competition policy.

**AGENCY RESPONSIBLE FOR THE PROCESS**

The responsible agency is the Northern Territory Employment and Training Authority (NTETA).

**NATURE AND EXTENT OF THE COMPETITIVE TRAINING MARKET**

In 1994 NTETA purchased 198 training places or 92,685 ASCH from private providers. This represented 18% of total growth expenditure. In 1995 this increased by 81 training places or 31,120 ASCH to a total of 45% of total growth funding expenditure. In 1996 a further 139 training places at 65,250 ASCH was purchased from private providers which represents 53% of the total growth funding expenditure.

All registered training providers are supplied with funding guidelines and application forms. Bids are assessed by NTETA staff according to criteria developed by the Planning Advisory Council and on the basis of value for money. There is no targeting of provider groups.

A clause is built into the submission guidelines which states that providers who under-achieve are required to make up the equivalent student contact hours at a later time, or return the funds.

The “user choice” concept is being applied in the operation of the Training Network NT. Funding for VET programs thought the Network occurs in consultation with end users. The Network operates as a broker supporting training opportunities in remote communities. The process adopted is:

- the community identifies the training need;
- training requirements are validated and offered for tender;
- the community chooses the provider (often this choice is made by the community council or similar authority);
- the community and the provider evaluate outcomes.

**POLICY DEVELOPMENT**

Changes are planned for the submission process which includes the calling for bids on a cyclical basis to improve opportunities for forward planning.

The Planning Advisory Council has agreed to the development of a discussion paper on the Competition Policy for the Northern Territory in response to the expansion of the competitive training market.

**FUTURE DIRECTIONS**

Planning of processes to encourage new providers into the training market include:

- education programs for providers to enable them to effectively complete applications;
- implementing a co-ordinated media campaign to promote products and services of all training providers servicing the Northern Territory;
- a policy review of competitive tendering.
**PHILOSOPHY/INTENTIONS**

The competitive funding of delivery of VET services was introduced in 1993 as an essential mechanism to improve the performance of the Queensland VET system. From commencement it was intended that public and private providers would compete openly for government funds to deliver VET services and that this process of competition would:

- increase efficiency;
- enhance cost effectiveness;
- raise quality;
- increase the diversity of providers;
- encourage innovation; and,
- improve provider responsiveness to the needs of industry and the community.

The following guiding principles have been adopted for the implementation of competitive funding in Queensland:

- competitive funding is to be used to maximise the quality and quantity of VET to be delivered. Training delivery should be tailored to meet client needs;
- funding is to be directed to address both unmet training demand and areas of current VET activity;
- when substantial occupation/training growth that require new extra training provision are identified in the State Training Profile (STP) these opportunities should be opened in locations which are geographically isolated and for groups that have restricted access to training, (e.g. women and ATSI groups);
- funded courses must be accredited/recognised by VETEC;
- training providers which are registered, or which indicate they are willing to seek registration with VETEC, are eligible to apply for competitive funding.

In addition, purchasing procedures used for the distribution of competitive funds are to be consistent with State Government Purchasing Policy principles.

**AGENCY RESPONSIBLE FOR THE PROCESS**

Management of the training purchased through competitive mechanisms is the responsibility of the Competitive Funding Branch, Development Directorate, Training and Employment Queensland (TEQ), Department of Employment, Vocational Education, Training and Industrial Relations (DEVETIR).

The Vocational Education, Training and Employment commission (VETEC), has formal responsibility for advising the Minister on all matters concerning the competitive training market.

**NATURE AND EXTENT OF THE COMPETITIVE TRAINING MARKET**

In 1993/94, $2.0M of State funds were set aside to be openly competed for by private training providers and TAFE. This figure represented 0.4% of the Total Queensland Vocational Education and Training (VET) budget.

In 1994/95, the budget for the CFP was expanded from its initial budget of $2.0M to $8.1M. This budget represented $2.0M in State funds, $5.0M in Commonwealth growth funds, and a $1.1M carryover.

The current budget for the CFP for the 1995/96 financial year has grown to $21.6M, (3.8% of the total Queensland VET budget). Approximately $18.0M of this budget represents Commonwealth growth funds.

A significant aspect of the growth in competitive funding activity is that it has been implemented progressively through the allocation of Commonwealth growth funds without reducing the TAFE funding base. The CFP budget has represented a small proportion of the total Queensland VET budget when compared to the TAFE budget as Table 1 below illustrates.

**Table 1: Competitive Funding, TAFE and VET Budgets 1993/94 - 1995/96**

<table>
<thead>
<tr>
<th>Year</th>
<th>CFP Budget (SM)</th>
<th>VET Budget (SM)</th>
<th>TAFE Budget (SM)</th>
<th>CFP as % of Qld VET</th>
</tr>
</thead>
<tbody>
<tr>
<td>1993/94</td>
<td>2.0</td>
<td>498.0</td>
<td>410.9</td>
<td>0.4</td>
</tr>
<tr>
<td>1994/95</td>
<td>8.1</td>
<td>554.3</td>
<td>417.5</td>
<td>1.5</td>
</tr>
<tr>
<td>1995/96</td>
<td>21.6</td>
<td>565.4</td>
<td>419.0</td>
<td>3.8</td>
</tr>
</tbody>
</table>

The allocation of VET funding between TAFE and the CFP as outlined in the above table is determined by Cabinet and the Minister on the advice of VETEC each year. This advice is based on the State Training Profile which is developed in consultation with Industry Training Advisory Bodies (ITABs).

Student Contact Hours (SCHs) committed under the CFP since its commencement total 1,198,405. Training has been delivered across a diverse range of industries including
automotive, building, construction, community services, textile, clothing and footwear, engineering, mining, primary industry, business/clerical, tourism and hospitality, transport and storage, manufacturing and sales/personal services.

Both the dollar ($) expenditure amounts and the SCH listed above exclude all expenditure and training on Traineeships and SETI Resources for Traineeships are allocated through user choice principles and for SETI through open competition between eligible providers.

The various competitive market mechanisms which are freely open to all registered providers, occur to some extent in all 19 ANTA occupational groupings and, with the exception of the apprenticeship user choice pilot, (which for 1996 is limited to four apprenticeships in the south east corner of the State), are provided throughout the State.

POLICY DEVELOPMENT

Policy and implementation procedures were developed before the program commenced in 1993-94.

There have since been minor changes to the program, principally the introduction of a user choice process in a limited number of apprenticeships, and modifications to the tender documentation and weightings applied in the assessment of tenders. These changes to the weightings and the tender documents have been implemented to better achieve value for money in competitive funding allocation.

A full evaluation of the program following completion of the initial three year pilot, is scheduled for later in 1996.

FUTURE DIRECTIONS

For 1996-97, user choice processes will encompass a full year of funding selected apprenticeships and all Traineeships. Preferred Supplier Arrangements will be greatly expanded to establish longer term contracts which will increase stability for training providers and reduce administrative costs.

In addition, VETEC has endorsed a further $10.186M to be applied to competitive tendering, preferred supplier and client purchase arrangements.
PHILOSOPHY AND INTENTIONS

In South Australia, it is intended to develop a diverse training market strategy for implementation during 1996. The strategy will comprise a policy and implementation framework for the further staged development of a diverse training market in the state.

The diverse training market approach seeks to increase and expand the provision of training, achieve improved value for money, encourage providers to be more responsive, increase the diversity of training, and provide the clients (primarily enterprises and individual students) with a greater choice of training provider.

THE AGENCY RESPONSIBLE FOR THE PROCESS

Final decisions on matters relating to the diverse training market strategy are made by the State Training Agency, which in South Australia, is the Minister for Employment, Training and Further Education, Dr. Bob Such. The Minister is advised on the strategy by the Vocational Education, Employment and Training Board. The policy development and implementation aspects of the strategy are conducted by the Department for Employment, Training and Further Education.

NATURE AND EXTENT OF THE COMPETITIVE TRAINING MARKET

The diverse training market strategy embraces a range of activities by which public training funds are disbursed to public and private providers. These activities include the Diverse Training Market Funding Program, which is now in its third year of operation, and other initiatives associated with user choice pilots, skill centre funding and preferred provider approaches. In addition, funds are disbursed through the Prevocational Places Program, through the Adult Community Education Grants Program, and through a mechanism for funding off the job training for traineeships. The policy and implementation in these three areas of work is being informed by the diverse training market strategy.

For the purposes of this report, the following discussion relates only to the Diverse Training Market Funding Program. This Program uses Growth Funds which are disbursed to public and private providers through a registration of interest process in accordance with the priorities for vocational education and training as expressed in the annual State Training Profile. There has been a marked increase in the funds allocated for the Program in the three years of its operation: in 1994 $200,000 was allocated; in 1995 $1.2M was allocated; and, in 1996 there will be a further substantial increase.

The Diverse Training Market Funding Program provides funds for recognised short courses and recognised training programs as accredited courses. Courses in a range of delivery and attendance modes are encouraged. In the first year of the Program, funds were disbursed to non-TAFE providers only, but in subsequent programs the funding has been made available to TAFE Institutes and to private providers.

In the 1995 and 1996 Diverse Training Market Funding Programs a small proportion of the funds have been set aside to support innovative and worthwhile initiatives, which are:

- particularly useful in pursuing initiatives for target groups;
- demonstrate particularly good employment and/or training outcomes; and,
- address skill shortages and/or the needs of emerging industries.

POLICY DEVELOPMENT

There is considerable policy work under development. A discussion paper on the Diverse Training Market Strategy is to be circulated for comment in early 1996. This will lead to a policy statement and an implementation strategy.

In the interim, some aspects of the final policy are being developed and applied in a range of settings particularly the 1996 Diverse Training Market Funding Program, user choice pilots and the ANTA National Project on user choice focussing on contracts of training.

FUTURE DIRECTIONS

The future work in the diverse training market arena in South Australia will focus on the policy and development implications of a funder/purchaser/provider model. In addition, the South Australian Government's recent guidelines and principles for contracting out and competitive tendering will be addressed.
Training market activities in Tasmania are covered by the Training Market Program, a title which covers all course funding administered by the Department of Industrial Relations Vocational Education and Training (DIRVET) where allocation of funds is through competitive processes, except where constrained by the guidelines of external funding bodies.

**Philosophy/Intentions**

The Training Market Program is designed to:

1. encourage the participation of private training providers in government funded training;
2. develop a diverse training system more flexible and responsive to the needs of industry and students;
3. increase the efficiency and effectiveness of training delivery in order to maximise the use of resources;
4. increase the quality of training provided; and,
5. encourage co-operative or joint venture activities between providers and between providers and industry.

**Agency Responsible for the Process**

The responsible Agency is the Department of Industrial Relations Vocational Education and Training (DIRVET).

**Nature and Extent of the Competitive Training Market**

In Tasmania a gradual approach to expanding the training market has been adopted using ANTA growth and traineeship funds.

Courses funded using ANTA growth funds have been in selected areas identified in the state training profile as areas of training growth. Funding made available has been cumulative. In 1994 10% of growth funds were allocated to the training market. In 1995 this rose to 15% of growth funds plus the 1994 allocation; in 1996 25% of growth funds will be allocated, plus the funding from the previous years. Total funding available in 1995 was $548,000, in 1996 this will rise to $992,000.

In 1994 and 1995 only non-TAFE providers were invited to bid for growth funded courses. However, TAFE institutes were allowed to compete with non-TAFE providers for off-the-job traineeship training.

In 1995, 260 places under growth funds and 686 traineeship places were funded through competitive processes.

Methods of funding have included competitive bidding and direct funding of preferred providers. Direct funding has been used where there is only one provider available in a particular field or geographical location, or if the course is capital intensive and the provider therefore needs greater security to make the investment required.

Areas open to market activities have been selected either because they had been identified in the state training profile as areas of training expansion, because the private sector had the capacity to deliver the training, or because there was a need to develop a training culture where there had been no history of formal training. This has involved specifying generic competencies and nominating specific courses. All courses have been no more than one year long. Courses such as retail management, desktop publishing and forest harvesting have so far been funded.

**Policy Development**

A review recently undertaken of the implementation of the training market in Tasmania recommended a number of changes which will be made in 1996.

These changes include allowing TAFE institutes to be involved in the bidding process, encouraging providers, where appropriate, to bid for a specific number of students rather than per class, and tightening up the administrative procedures followed in the bidding process.

The new arrangements will be trialed during 1996 and then reviewed.

**Future Directions**

The training market in Tasmania will continue to be expanded gradually while some of the issues surrounding the development of the training market and the involvement of TAFE institutes can be addressed. These include the size of the market in Tasmania, establishing competitive neutrality, making optimum use of existing TAFE infrastructure, addressing and funding community service obligations, access and equity issues, quality assurance and the cost of the process itself.
The Victorian Office of Training and Further Education (OTFE) has continued progressing a competitive system of vocational education and training (VET) delivery. The competitive tendering process in VET aims to develop an open and effective training market within Victoria where public and private training providers compete for a proportion of government funds to deliver further education and vocational education and training. Private providers have been encouraged into the training market to increase access to quality recognised training within the State Training System.

In 1996 all ANTA growth funds (excluding allocation for traineeships) will be tendered out to all providers in the State Training System.

**PHILOSOPHY/INTENTIONS**

The overall intention of the OTFE is to develop a competitive system of VET that responds to industry needs on competitive neutrality basis.

Legislation in Victoria devolves greater responsibility for financial and human resource management as well as broad policy governance to TAFE colleges which are encouraged to develop their own commercial business plans and the manner in which it is to be marketed and delivered.

A three tier strategy has been developed to encourage competition throughout the State Training System which has embraced Victoria's principles for public service-wide reform. This consisted of a competitive tendering process for private providers, increased autonomy for colleges and regional funding opportunities for community providers.

The tendering process will seek to ensure that Government providers do not enjoy any net competitive advantage simply as a result of their public sector ownership.

The objectives of the competitive training market in Victoria are to:

- enhance cost-effectiveness;
- increase the diversity of providers operating in the training market;
- improve provider responsiveness to the needs of industry and the community;
- raise the quality of the training delivered;
- encourage innovation; and
- increase efficiency.

Through the pursuit of these objectives, it is anticipated that competitive tendering will create a training market which:

- provides better value for the public training dollar;
- supports a broader range of training providers and products;
- promotes the delivery of training relevant to the community and industry; and
- supports a range of alternative methods of training delivery.

**AGENCY RESPONSIBLE FOR THE PROCESS**

The final contract is a Performance and Funding Agreement between the providers and State Training Board. However, the management and administration of the process is the OTFE's responsibility.

**NATURE AND EXTENT OF THE COMPETITIVE TRAINING MARKET**

The OFTE has encouraged greater diversification of the training market through its programs and considers that these have been successful.

Forward planning is for all ANTA growth funds to be allocated through competitive processes by 1996.

Further diversification has occurred through the implementation of a number of National Projects of the User Choice concept of training.

**POLICY DEVELOPMENT**

To embrace the issue of competitive neutrality as detailed in the National Competition Policy and included in the guidelines. In addition looking at how to incorporate user choice into some programs.

The objective of competitive neutrality is the elimination of resource allocation distortions arising out of public ownership of entities engaged in significant business activities.

**FUTURE DIRECTIONS**

Currently efforts are being made to streamline the tendering process to achieve efficiencies in administration. Initiatives include:

- calling only one round of tenders each year, possibly in October for delivery in the following year;
- implementing a three year planning cycle for enterprise providers; and,
- changes to contractual arrangements for private providers.
PHILOSOPHY/INTENTIONS

Activities to develop the training market in Western Australia have come about as a result of a commitment to improve vocational education and training through stimulating competition, as well as State Government commitment to a Competitive Tendering and Contracting policy. The Training Market initiative, (i.e. competitive tendering process) is designed to:

- encourage private training providers to participate in delivery of accredited vocational and educational training;
- increase the diversity of the vocational education and training system;
- improve the efficiency and effectiveness of training delivery; and,
- encourage innovation in training delivery.

AGENCY RESPONSIBLE FOR THE PROCESS

The Western Australian Department of Training is the agency responsible for the training market initiatives described.

NATURE AND EXTENT OF THE COMPETITIVE TRAINING MARKET

Initiatives to develop a competitive training market in Western Australia commenced with a pilot program in late 1993 to allocate funds from the Commonwealth's Pre-vocational Places Program and to allocate 170 full year, full-time places at areas of specific industry need using ANTA growth funds. The funds were allocated through a competitive tendering process open to private and public training providers.

During 1994, courses to the value of $2.8M were funded by tender, and approximately 56% of places were delivered by private providers.

The program expanded considerably during 1995, with $7.4M being allocated. Of this amount, $4.2M was allocated to the Pre-vocational Program and $3.3M to the "Industry Specific" program from ANTA growth funds.

For 1996 the tendering of courses will expand further, with allocation of all ANTA growth funds, including $5.8M to the Industry Specific program and $0.4M to a new "Enterprise Specific" program aimed at companies to train employees. In addition the Pre-vocational Places Program will amount to $3.6M, making a total of $9.8M allocated by competitive tender.

Since commencement of tendering the number of submissions received has increased reflecting growing interest by a diverse range of training providers in the provision of VET. In general:

- although the number of submissions from private providers has shown a steady increase, the numbers of submissions from public providers has grown faster. This may be due to public providers placing greater importance on gaining extra funding through tendering and on the influence of competition on public providers;
- each tender round has seen new private training providers making submissions and being successful; and,
- each tender round has seen a greater range of courses being submitted.

POLICY DEVELOPMENT

Guiding Principles Underlying the Development of a More Competitive Training Market

The Western Australian Department of Training has recently published a policy statement to guide the development of a more open training market. The diversification of the training market through increased competition is to be guided by six underlying principles. These are:

- "competition in the training market should lead to higher quality vocational education and training and gains in efficiency and effectiveness while maintaining the public interest;
- the development of policies and processes within the training market will be consistent with the goals and operation of the State Government's policy on competitive tendering and contracting;
- development of the training market should reflect the State's strategic priorities;
- clients should have choice;
- change should proceed with an understanding of impacts; and,
- the processes used in developing the training market will enable fair competition between providers, while serving the public interest. (Western Australian Department of Training (1995) Increasing Competition in the Training Market)"

The applications of these principles will guide the development of new policy and processes to increase competition within the vocational education and training market.
Industry Specific Funding Program

During 1994 and 1995 the Industry Specific program was restricted to year long, full-time courses. For 1996 the program was changed to allow part-time courses and courses from 8 weeks to three years in duration. This change was designed to increase the diversity of courses funded and to better meet the needs of students and industry by increasing access to the training by allowing those already employed to upgrade their skills.

Enterprise Specific Funding Program

The “Enterprise Specific” program was implemented during 1995 for courses to be conducted during 1996. The program called for submissions from enterprises to provide accredited training to their employees. Successful tenderers will be paid 50% of the delivery costs of providing the training. The aim of the program is to assist the productivity of business through training and to encourage businesses to increase the amount of training they provide to employees.

Main stream Training

A decision was made during 1995 to tender out delivery of Painting and Decorating Trade training in the Perth metropolitan area to commence in 1996. Painting and Decorating Trade training was chosen as a relatively small area which could be used as a case study. The tender resulted in bids from a TAFE College and a private skills centre. As a result the skills centre was awarded a tender for delivery in part of the metropolitan area and the TAFE College in another part.

FUTURE DIRECTIONS

The training market is expected to continue to expand in Western Australia in 1997, with the total amount to be tendered in the Industry Specific, Enterprise Specific and Prevocational programs likely to be approximately $15M for 1997. A preferred provider approach is being planned to compliment existing arrangements.

The tendering process is likely to change to allow the introduction of a “preferred provider” approach which should enable savings to be made in the costs of tendering.
NOTICE

REPRODUCTION BASIS

This document is covered by a signed "Reproduction Release (Blanket)" form (on file within the ERIC system), encompassing all or classes of documents from its source organization and, therefore, does not require a "Specific Document" Release form.

This document is Federally-funded, or carries its own permission to reproduce, or is otherwise in the public domain and, therefore, may be reproduced by ERIC without a signed Reproduction Release form (either "Specific Document" or "Blanket").