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Skilling Australia's Workforce 2005-08 Mid-Term Review

The **BCG Report**

Midway through 2007, MCVTE commissioned the Boston Consulting Group to undertake a mid-term review of the Skilling Australia Workforce Agreement, in preparation for the development of the next agreement.

The Executive Summary of the report argues:

The end of the SAW Agreement in 2008 offers a real opportunity to lay the foundations for very significant reform in the VET sector. A multilateral process, possibly supported by CoAG, could be used to commit to the development of a national competitive market, supported by the division of Federal and State Government purchasing responsibilities and therefore reducing reliance on a Specific Purpose Payment such as the SAW Agreement to drive change.

The BCG Report contains ten key recommendations. The critical ones for the future of the public TAFE system are:

- The Commonwealth and the State/Territory Governments should agree – potentially as part of the CoAG negotiations – on the creation of a competitive national market for VET as a key goal of the next agreement.
- The Commonwealth and the State/Territory Governments should minimize reliance on Specific Purpose Payment by agreeing on an appropriate division of purchasing responsibilities in VET with the Commonwealth taking accountability for purchasing training in agreed areas of responsibility.
- All governments should work towards the development of a short targeted multilateral agreement linked to a portion of Commonwealth funding that provides the framework for a nationally consistent regulatory regime and a competitive national market in VET.
- To provide the basis for genuinely competitive purchasing arrangements, the State/Territories should clearly separate their roles as purchasers of VET and owners of VET providers and provide for more arms length governance arrangements for owned providers.
- The Commonwealth should negotiate with each State/Territory a separate bilateral agreement that covers the remaining Commonwealth funding, formalizes the division of responsibilities in VET and defines that jurisdiction's specific objectives, funding and administrative arrangements. The Commonwealth could consider including in some bilateral agreements the delegation of its purchasing responsibilities to states/Territories

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- where sufficiently competitive purchasing arrangements are in place. The bilateral agreements should provide a consistent framework with streamlined reporting arrangements covering the breadth of VET programs in each jurisdiction, but with the flexibility to adapt each year as needs change.
- Governments should, over time increase the proportion of funding that is truly contestable among public, private, community, local or interstate providers.
- Governments should move to a system that allows part funding of selected training places (as well as full funding of others) supported by industry and employer investment and FEE-HELP loans, to better reflect the balance between public and private benefit.

The Report also argues that:

National Competition Policy competitive neutrality principles aim to remove the unfair advantages of public ownership such as exemption from taxes, lower costs of finance, due to government guarantees, and exemption from regulations affecting private sector activity. The principles also remove the impediment to efficient resource allocation that arises from the regulatory advantage of government owned businesses. (p22)

The Report recommends that these broad principles be operationalised by “allowing providers to compete fairly for all contestable funds and to operate across Australia without additional costs or barriers to entry”; and that the capital competitive advantage of TAFE be neutralised by “corporatising current publicly owned VET capital, or where this is not pursued, operate capital charging arrangements (in order to promote fair funding arrangements between public and private providers)”.

It is instructive to pull out some of the statements in the paper which form the rationale for the recommendations listed above. These include:

... flexibility is sometimes limited by work practices, industrial conditions and culture. For public providers in particular, a lack of autonomy can slow responses to changing demands, and a failure to provide incentives (eg, the ability to retain and re-invest surpluses) can discourage responses to industry and community needs. (p13)

And a direct quote from a TAFE Institute Chairman:

We have currently hit a glass ceiling in terms of agility and flexibility due to the current award. The old schools type institution with school holidays and Friday afternoon downtime is just not our business anymore. Our clients are working so why not us? I don't care about individual agreements, but we do need an EBA with more flexibility built in. (p13)