

## **Australia-Pacific Technical College**

### **Stage II Concept Note**

#### **1. Introduction**

1.1 This concept note outlines necessary considerations for AusAID as it moves towards designing the second stage (2011-2015) of the Australia-Pacific Technical College (APTC).

The note draws on the findings and recommendations of the APTC mid-term review (conducted in early 2009), consultations with the APTC Advisory Group and a formal discussion at the Pacific Heads of Education Meeting held in Nadi in November 2009.

1.2 The APTC is a relatively young initiative that, according to the Mid-term Review, is progressing well in terms of meeting its goals and purpose. This concept note is premised on an understanding within AusAID that the strategic role of the APTC in the region should remain unchanged. It should continue to promote and provide high level Australian qualifications across the Pacific and, by doing so, increase the employability of its graduates and strengthen the quality of the labour pool nationally, regionally and internationally. This note argues that, even with its early successes, the APTC can be improved and streamlined, and its reach and offerings expanded. The objective of any modification to the current APTC model would be to ensure that APTC becomes more responsive to demand, more effective in meeting its goals and an institution that provides world class training at a reasonable cost.

1.3 This concept note acknowledges that in order for the APTC to be sustainable in the longer-term, it will need to graduate to a regional training institution. It is unclear at this stage in what form this should occur but, is an issue that will need to be considered early in Stage II in preparation for continuation of the College beyond 2015. Due to the size of such an exercise, it is felt this investigation should occur concurrently to the start up of Stage II rather than as part of the design of the APTC 2011-2015. This will allow adequate time for all parties (AusAID, Pacific Island Governments, Pacific Islands Forum, and other donors) to make the decisions without hampering the delivery of APTC's highly demanded Australian Certificate III and IV qualifications.

1.4 It is intended that this note will form the basis of a Submission to Minister Smith that seeks approval of the direction set out below for the APTC Stage II.

#### **2. Background**

2.1 The APTC was established in July 2007, following the then Prime Minister's announcement at the 2006 Pacific Islands Forum, with an initial allocation of \$149.5 million (2007/08 to 2010/11). At that time, the Australian Government committed to continuation of the College for as long as there was sufficient demand for its services.

2.2 The APTC provides training at Australian standards in order to:

- i. increase the supply of skilled workers in targeted sectors in the Pacific region,
- ii. help Pacific Islander women and men with Australian qualifications realise improved employment opportunities nationally, regionally and internationally in targeted sectors
- iii. increase productivity of individuals and organisations in targeted industries and sectors.<sup>1</sup>

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<sup>1</sup> Targeted sectors for Stage 1 of the APTC are automotive, manufacturing, construction, electrical, tourism, hospitality, health, and community services.

2.3 The APTC delivers Australian Certificate III and IV skill training in five industry sectors: automotive, manufacturing, construction and electrical, tourism and hospitality and health and community services (refer to Attachment A). Flexibility exists for the APTC to add or remove courses, campuses and training partners in response to changing regional skills demands. A key feature of the College, and a major contributor to its success to date, is its partnerships with private sector groups, industry and local institutions to complement existing public and private investment in the sector.

2.4 APTC qualifications can only be issued by Australian Registered Training Organisations (RTOs). Box Hill Institute of TAFE and Sunshine Coast Institute of TAFE were appointed through a restricted tender.

2.5 Students enter the APTC as fee-paying, employer sponsored or scholarship students. It was anticipated that other donors would contribute funding to the APTC and that fee for service activities would generate income. A \$10m scholarships program was developed to facilitate participation by students from non-campus countries, particularly small island states. As at December 2009, 1,468 students (60% of enrolments) have received a scholarship to study at the APTC. 23% of these scholarship students are from non-campus countries. Of the APTC's entire student intake, only 15% is from non-campus countries.

### **3. APTC Progress – Assessment to Date**

#### Mid-term Review

3.1 The mid-term review (MTR) of the APTC was very positive about the impact of the College over a relatively short period of operation and recommended that it continue to a next stage and beyond. APTC's success is largely attributed to finding a previously unfulfilled niche in the Pacific. The MTR found that the APTC is performing well against its goals and key results areas, and is also yielding unanticipated benefits for individuals and national institutions. The APTC is moving from a supply driven intervention to one that is successfully responding to demand for services.

3.2 In brief, the MTR reports that the APTC has performed positively against goals one and two. Specifically, the MTR points out that the APTC is achieving its purpose and as a result:

- is increasing the supply of skilled workers in targeted sectors in the Pacific region
- will enhance the future employment and promotion prospects of its graduates
- is having a growing impact on national and regional training capacity through the highly successful Certificate IV in Training and Assessment training, enrolment of industry and institutional trainers in APTC programs and a positive demonstration effect
- has a positive reputation with its clients
- has strong partnerships with its industry training partners
- has had an effective start up due to the RTO's experience and expertise in TVET training.

3.3 The MTR noted that it is too early to measure progress against goal three and identified some areas that should be addressed to maintain and enhance the effectiveness of the APTC, including:

- APTC's profile in non-campus countries is still low.
- Some national public TVET institutions maintain that resources for the APTC should be directed to them
- Poor English language, literacy and numeracy standards remain a challenge.
- Maintaining a pipeline of students from non-campus countries
- Adding a campus in the Solomon Islands

- Expanding the courses offered in PNG and Samoa
- The role and composition of the APTC Advisory Group
- An over reliance on scholarships to fund students.

3.4 The full list of MTR recommendations is contained in the report's Executive Summary (see Attachment B).<sup>2</sup>

#### Pacific Heads of Education

3.5 The annual Pacific Heads of Education meeting (Nadi, 4 November 2009) discussed the progress and future of the APTC. AusAID, NZAID and the Pacific Islands Forum Secretariat participated in this discussion. Consensus was that the APTC is filling a critical gap in service provision, as it provides a significantly higher quality of training than previously available in the region. In addition, the APTC is having a positive demonstration effect on national training institutions. The disparity of resources available to the APTC in comparison to national institutions was noted as a concern. Without exception, the Pacific Heads of Education strongly urged Australia to continue the APTC.

#### Advisory Group

3.6 The APTC Advisory Group (AG) discussed the future directions of the APTC at their fourth meeting in Nadi on 27 and 28 August 2009. The Group noted the major benefits of the APTC as the quality of training delivered and the confidence members have in the capacity and professionalism of the current RTOs. The AG strongly supported the MTR's recommendation that the APTC continue beyond 30 June 2011.

### **4. Context**

#### Training in the Pacific

4.1 Many Pacific Island Countries (PICs) see improved skills training as one solution to their labour market issues. However, many do not have quality-assured national skill standards; available training is supply-driven and of low or variable quality; and employer inputs are rarely solicited.

4.2 Skill shortages are widespread across the PICs, resulting in loss of productivity, lower quality output, inability to grow, lower profits, problems with equipment maintenance and loss of markets. Access to TVET opportunities is often limited outside the capital and in the outer islands.

#### Regional Policies

4.3 In October 2005, the Pacific Island Forum Leaders endorsed the Pacific Plan with the goal of enhancing and stimulating economic growth, sustainable development, good governance and security for Pacific countries through regionalism. It encompasses increased regional service provision as well as market integration.

4.4 To promote regional integration, the Pacific Plan calls Forum members to

*[integrate] trade in services, including temporary movement of labour, into the Pacific Island Countries Trade Agreement (PICTA)*

4.5 The Pacific Agreement on Closer Economic Relations (PACER Plus) regional trade negotiations will create a regional trade area between Australia, New Zealand and the PICs.

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<sup>2</sup> Copies of the full report are available on AidWorks under the attachments for Initiative INH016 – Australia Pacific Technical College.

Australian Ministers have stated clearly that PACER Plus will include skills development for PICs, equipping them for technical work in the region and globally.

4.6 The Pacific Education Development Framework (PEDF), endorsed by the Forum Education Ministers, guides the further development of Pacific education. The PEDF addresses two broad agendas: (i) the Education for All (EFA) or basic education agenda, and (ii) the training/ employment/economic agenda. The PEDF is aligned with, and grounded in, the principles of the Pacific Plan and reflects the Pacific concept of regionalism where countries work together for their joint and individual benefit.<sup>3</sup>

4.7 An increasing number of national education plans are including TVET as a priority sub-sector, in recognition of the importance of employment outcomes for school leavers and private sector productivity for economic growth.

4.8 The APTC can be viewed as a successful experiment in its approach to the regional provision of services. However, while it provides specialised high-level training regionally, it is not a regional provider, and currently does not have the characteristics of a Pacific ‘club’ in the sense of shared governance, ownership and financing, such as the University of the South Pacific (USP).

4.9 It is unlikely that private or national public sector agencies will be able to deliver equivalent vocational training over the medium-term. Whether, and under what conditions, the APTC should make a transition from an Australian development program to a regional training institution will be a major strategic choice in the coming years. This is not an issue that should be addressed in the Stage II design. Instead, it is a major exercise that will be considered concurrently to the start up of Stage II of the APTC.

4.10 The APTC is successfully responding to regional priorities to facilitate the trade in services, movement of labour and improve the quality of national training providers.

#### AusAID’s Policy Framework

4.11 AusAID is providing a range of assistance to formal and non-formal TVET and to policy and organisational development as well as capacity development for training delivery. The Pacific Partnerships for Development include support for economic growth, basic education and skills development. Many also have implementation strategies that relate specifically to strengthening TVET (Kiribati, Tonga, Vanuatu, Samoa). The PNG Program is also planning to develop an implementation strategy for TVET.

4.12 AusAID’s draft Pacific Education Framework recognises that there are links between the quality and equity of basic education and the impact of higher education and training. It also recognises the potential of the APTC to lead the region in respect to higher level technical and vocational training, while Australia’s bilateral programs strengthen viable local institutions to better meet local labour demand and to provide suitable candidates for higher training via the APTC or other national or regional providers.

4.13 Developing the knowledge and skills necessary for life and productive livelihoods is of growing importance in the Pacific given the poor local employment prospects for rapidly expanding youth populations. Populations with high levels of education and skilled workers

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<sup>3</sup> Pacific Islands Forum (2009) Pacific Education Development Framework (PEDF) 2009-2015

adapt more rapidly to changing environments and respond more quickly to economic and market opportunities.

4.14 The APTC contributes to achieving performance target 2 of the draft PEF aimed at increasing the employability of Pacific islanders and to strengthening post-secondary professional, technical and vocational education and training across the region.

## **5. Design of APTC 2011 – 2015**

5.1 The findings of the MTR, feedback from the Pacific Heads of Education, the APTC AG and the region, and the Australian Government's interest in supporting labour mobility under the Pacific Plan, PICTA and PACER Plus, strongly support continuation of the APTC. Subject to Ministerial approval, the College will continue into a second phase that will run from 1 July 2011 – 30 June 2015.

5.2 The success of the APTC may be attributed to its tight focus on its niche of delivering demand-based, high quality, high-end training. Expanding the College beyond this scope risks the APTC losing its clear direction and the delivery of real benefits for the Pacific. For this reason, the design of the College for 2011-2015 will look to improve its efficiency and effectiveness rather than consider major expansion.

5.3 High quality technical training is widely sought after as evidenced by the demand for APTC places in all areas, particularly from the larger Pacific countries. The College's slow start in attracting fee paying students, limited fee for service training, limited training facilities and the lack of interest by other stakeholder to fund the APTC are constraining major expansion and will be addressed in the design of Stage II.

5.4 The APTC must be viewed as one part of AusAID's range of support for TVET in the Pacific. It is clear that the APTC's Australian qualifications in training and assessment are extremely welcomed and play a role in building the capacity of national institutes. However, other bilateral and/or regional TVET strengthening initiatives must operate to improve the quality of national TVET systems, including the delivery of Certificate I and II. Such assistance is crucial for assisting countries achieve their own development goals, addressing the youth bulge, building the national skill base, creating a pipeline for the APTC and ideally, developing quality national TVET systems that remove the need for the APTC.

5.5 Accordingly, the goals and purpose of the APTC will remain unchanged.

### Goals

- i. *Training:* Increased supply of skilled workers in targeted sectors in the Pacific region.
- ii. *Employment:* Pacific Islander women and men with Australian qualifications realise improved employment opportunities nationally, regionally, and internationally in targeted sectors.
- iii. *Productivity:* Increased productivity of individuals and organisations in targeted industries and sectors.

### Purpose

#### To:

- i. provide Pacific Islander women and men with Australian qualifications that present opportunities to be able to find employment in targeted sectors nationally and internationally, and
- ii. support skills development in the Pacific in response to labour market requirements.

### Shape of the APTC

5.6 The APTC is a large-scale and innovative development program delivering internationally recognised technical and vocational programs in targeted industry sectors in the Pacific region. While the RTOs are allowed a degree of flexibility in the APTC's operation, the APTC is not intended to become too country-specific in its operation or offerings. However, it is anticipated that there will be some flexibility in Stage 2 to allow the contractor(s) and Posts to address some individual country training demands so long as their provision does not detract from the APTC's core business of delivering Australian Certificate III and IV qualifications.

5.7 It is important that during Stage II the APTC be able to continue to operate with the flexibility adequate to allow the College to add or remove courses, and increase training locales in response to changing labour market demands. The process and requirements for adding to or subtracting courses from the College will be articulated in the design of the next stage.

5.8 The APTC will continue to offer Australian Certificate III and IV training that responds to national, regional and international labour market demands. It is intended that Stage II will maintain the successful achievements of Stage 1 by offering the current courses in automotive, construction, electrical, manufacturing, tourism, hospitality, health and community services and Certificate IV in Training and Assessment, and also being able to offer other courses in response to demand. The Diploma in Training and Assessment will be offered from 1 July 2011. A School of Professional Development will be created for the in-service development of the Pacific TVET workforce.

5.9 The APTC should continue to operate in the four campus countries of Samoa, Fiji, Vanuatu and PNG. It was proposed in the MTR that the Solomon Islands be added as a new campus country for Stage II. Establishment of a campus in the Solomon Islands will require further analysis during the design of Stage II. It is envisaged that the implementing RTO(s) will be responsible for designing this new campus and assessing whether the APTC should expand the courses offered in PNG and Samoa as recommended in the MTR.

5.10 Partnerships between the APTC and national training institutions and industry are critical to the APTC's success. It is thus intended that the nine current partnerships with training institutions and industry partners will remain in place.<sup>4</sup> In addition, it is anticipated that new partnerships will be developed in response to new courses and training locations to ensure the APTC remains effective (for example, with the LNG industry in PNG). It is essential that the design for Stage II looks at how, along with complementary bilateral and regional initiatives, the APTC can improve its relationships with the national training institutions to diminish any resentment and ensure that benefits accrue to both parties. The design will also look at how to strengthen the relationships with industry partners and consider if more scope should be provided for these in Stage II.

5.11 It is clear that the APTC needs to expand and AusAID needs to consider how large the APTC should become. Given this, the design will look at to what extent the APTC can

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<sup>4</sup> National training institution partners are the National University of Samoa – Institute of Technology, Port Moresby Technical College, Vanuatu Institute of Technology, Training and Productivity Authority of Fiji and Vanuatu Ministry of Education. Industry training partners are ASCO Motors, Ela Motors Port Moresby, Hastings Deering Port Moresby, Ok Tedi Mining Limited (Tabubil).

expand without it becoming unwieldy, financially unsustainable, and the costs of operation exceeding the benefits.

#### Access

5.12 It is recognised that the APTC currently disproportionately benefits the larger countries. It is anticipated that significant demand for places will continue to be from Fiji and PNG, and will increase from the Solomon Islands when a campus is established there. Without substantially better in-country preparation, it is expected that students from the smaller island states will continue to struggle to meet the College's entry requirements.

5.13 The APTC scholarships program will continue to ensure access for those, particularly from non-campus countries, who do not have the capacity to study as a fee-paying or employer sponsored student. The design team will look at how it can be refined to better ensure its efficiency and support of non-campus country students.

5.14 An English language, literacy and numeracy (ELLN) training program will be introduced. This program will support access by technically qualified applicants from small island states who do not meet the ELLN course entry requirements.

5.15 New entrant and women only courses, and flexible part-time delivery will continue to be a feature of the APTC. Flexible delivery modes (mix of face to face and distance and technology learning) will be introduced in Stage II and should help access by women and people with a disability. The design for Stage II will consider what else can reasonably be done to support participation by women and people with a disability.

5.16 Workplace training will, as far as possible, continue to be delivered in-country. Some in-Australia workplace training may be necessary, particularly for the licensed trades such as plumbing and electrical. The Stage II implementing RTO(s) will continue to pursue partnerships with industry bodies, such as the Master Plumbers Association and Electrical Contractors Association, and industry interlocutors, such as the Australian Chamber of Commerce and Industry, to help facilitate any necessary in-Australia workplace training.

5.17 The APTC will increase its intake of fee paying and employer sponsored students and pursue more fee for service activities. The design team will explore methods for encouraging the contractor(s) to increase the number of fee paying students. They will also be asked to carefully consider how to balance this increase with continuing to provide places to students, particularly from non-campus countries, which would not otherwise have the opportunity to obtain Australian qualifications.

#### Fee for Service Activities

5.18 There is strong demand in the Pacific for training related services that cannot be met by national and regional providers. The APTC is well placed to respond to much of this demand. Fee for service activities are a key avenue for generating revenue that will enable the APTC to expand and reduce its reliance on Australian Government funding. In accordance with the recommendations of the MTR, it is intended that scope for fee for service activities will increase in Stage II of the College. The pursuit of such activities must be carefully balanced with ensuring the APTC continues to deliver its core business of Certificate III and IV training.

5.19 Fee for service activities will be provided at cost for other AusAID programs. All profits from fee for service activities will go back to the APTC.

5.20 Under fee for service, the APTC will be able to deliver:

- Tailored training at Certificate level III or above for either Australian Qualifications Framework (AQF) qualifications or AQF Statements of Attainment, in response to employer demand, that fall within the current scope of the APTC courses and the RTO's scope of registration.
- Training needs analysis for firms and agencies and skills assessment services.

#### Management Structure

5.21 The APTC currently consists of a:

- Coordination Office in Nadi (headed by a General Manager), supported by country offices, with responsibilities including overall management and governance arrangements and student services
- APTC Schools that deliver the training.

5.22 The MTR argued that the APTC's management structure was sound and should continue in Stage II of the College. On that basis, it is proposed that this basic structure broadly remain in place.

5.23 Management of the Coordination Office by a Managing Contractor (SKM) has delivered a number of benefits such as adding development focussed views, encouraging robust discussion, ensuring development considerations are incorporated into the running of the APTC, and improving the awarding of scholarships. The RTOs that manage the Schools (Sunshine Coast Institute of TAFE and Box Hill Institute of TAFE) have delivered the high quality, high-end training that they are renowned for.

5.24 The MTR recommended that, if possible, the current contractors, particularly the RTOs, should be maintained. However, it is understood that Stage II of the APTC will need to be tendered on the basis that:

- The original tender stipulated the contracts would only be for the period 2007-2011.
- APTC courses are delivered in accordance with the Australian Qualifications and Training Framework meaning all Australian RTOs could potentially deliver APTC courses and qualifications.
- The value of APTC Stage II is estimated at approximately \$152 million.
- Increased fee for service training affords benefits to the RTOs beyond those gained through the current APTC specific contracts.

5.24 In Stage II, the contract(s) for the APTC will be streamlined where possible to improve cohesion. They will also provide flexibility to respond to changing demands and enable sub-contracting of other Australian providers where necessary to deliver requisite training and/or fee for service activities. The design for Stage II will look at who (RTO, MC etc) should implement Stage II of the APTC.

#### Governance

5.25 The Advisory Group (AG) was established to advise AusAID on a range of industry and TVET issues in the Pacific region, including the overall strategic vision of the APTC, APTC policy directions and on future demand for TVET in the region. The AG comprises senior people from the Pacific region and Australia but has not been used as effectively as it could be. The membership and specific functions of the AG will be revisited as part of the design of Stage II.

## **6. Sustainability**

6.1 The Australian Government is committed to supporting the APTC. Funding for the APTC has been built into AusAID's funding base.

6.2 The MTR recommended that in the longer-term, AusAID should consider the future state of the APTC. Given the scale of such an exercise, and the imperative to have at least a three month handover for APTC Stage II, it is felt that this work should be conducted separately from the design of the APTC 2011-15. Therefore, early in Stage II, but separate from the design of Stage II, AusAID will commission an investigation into options for the future state of the APTC beyond 30 June 2015. In this study, consideration will be given to options such as amalgamating the APTC with a regional training institution like the University of the South Pacific, or establishing it as an independent legal entity. The study will also consider whether, "Australia" needs to be removed from the College's name to facilitate change, as suggested in the MTR.

6.3 The design for 2011-2015 will consider how the APTC can gain cost efficiencies so that it achieves maximum output for minimum cost. Delivering professional, high-end technical training, particularly in trades and construction, is expensive. The current average cost of training of \$35,000 per student is high for short-term training, compared to ARDS of \$20,000 per student per annum and ADS of \$41,000 per student per annum.

6.4 Costing of the APTC is an in-depth exercise. On face value, it is estimated that Stage II of the APTC will cost \$152 million (approximately \$38 million per year), based on 2009/10's estimated expenditure of \$37 million. It is important to note that while 2009/10's estimate more accurately reflects operation at full capacity, it encompasses a larger student intake that compensates for the slow student enrolment at start up and ensures the APTC reaches its 3,000 graduate target. It is likely that the design will establish a lower estimated annual cost given that the student intake for Stage II will be more evenly spread across 2011-2015. That said, additional courses and facilities that will be added in Stage II will attract further costs.

6.5 While the design team will look carefully at APTC's costs, there are few current indications that the costs can be significantly reduced over the coming years - even after capital development costs are met. Although costs are high, the APTC is providing a high quality product that cannot be matched in the region and that will facilitate many benefits such as higher remittances, higher individual and employer productivity, higher earning streams for APTC graduates, and increased youth employment.

## **7. Risks**

7.1 There are a number of key risks that will be addressed in the design of Stage II and managed by the implementing contractor(s). Continuation of the APTC will be reliant on complementary bilateral and/or other regional initiatives that build the capacity of national training institutions to produce quality graduates. Without such initiatives, the pipeline for the APTC may dry up in the medium-term and countries will not be able to replace the capacity lost as a result of labour migration. In addition, resentment of APTC's partner local training institutes will grow due to feelings of neglect and could diminish their support of the APTC.

7.2 It is anticipated that demand for APTC services from larger countries will continue to remain high. Without improvements in the quality of education (including post-secondary training) and financial assistance for those from small island states who wish to participate in the APTC, citizens from the larger countries will continue to dominate APTC's enrolment. The scholarships and ELLN programs will help address this. However, bilateral education

and TVET strengthening programs will also have a significant role to play in addressing this disparity.

7.3 The APTC must reduce its reliance on Australian Government funding in order to grow and be sustainable. The APTC contractor(s) cannot rely on scholarships to supply APTC students. Pursuit of fee for service activities, increasing fee paying and employer sponsored students, and engaging the support of other donors will be critical to generating revenue for and supporting expansion of the APTC. However, in moving forward, the APTC must ensure that an increase in fee for service activities does not divert the College from delivering its core business. It must also ensure that the APTC continues to assist attendance by those, particularly from small island states, who do not have the capacity to attend on a fee paying or employer sponsored basis.

## **8. Design of Stage II**

8.1 This concept note does not propose a major departure from the current operation of the APTC. Extensive design documents were produced for the APTC Schools, Coordination Office and scholarships program at the beginning of the current phase. The costs of building facilities and campuses have been established by the current RTOs through the creation of the APTC. The MTR provides a thorough examination of the College's performance and key issues, and provides extensive recommendations on the future of the College.

8.2 Given the wealth of information available, it is considered unnecessary for the design of Stage II to be developed via a major traditional design exercise. It is proposed that the Stage II design will have 3 country visits (PNG, Solomon Islands, Fiji) over 2 ½ weeks with the remainder of the design work taking place in-Australia. The work will be conducted by a 4 – 5 person team. Teleconferences will be held with Posts not covered by the country visits and the current APTC contractors as necessary. There may also be face-to-face meetings with the RTOs, MC and the APTC Senior Management Team. A Terms of Reference (ToR) for the design will be drafted for the design mission. The ToR will set out the process and design team positions necessary to deliver the design of Stage II of the APTC. The ToR will be distributed for comment by Canberra and respective posts.

## **9. Next Steps**

- i. Finalise Concept Note 20 – 29 Jan 2010
- ii. Ministerial approval of directions for APTC Stage II: 12 Feb 2010
- iii. Minister-Counsellor approval to move to design of APTC Stage II: 19 Feb 2010
- iv. Design APTC Stage II: 1-29 March 2010
- v. Appraisal Peer Review: 29 April 2010
- vi. Tender APTC Stage II: 4 Jun – 29 Oct 2010
- vii. Mobilise APTC Contractor(s): 21 Mar 2011