

TasTAFE (Skills and Training Business)
Bill 2021 – Draft Legislation
Submission

Tourism Industry Council Tasmania
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ABOUT TICT

Tourism Industry Council Tasmania (TICT) is the peak body that represents and acts for the Tasmanian tourism industry.

The Council is a not-for-profit and non-partisan organisation that promotes the value of tourism in the Tasmanian community. TICT provides a strategic direction and united voice for the sustainable development and growth of the Tasmanian tourism industry and in advocating policy on behalf of the industry.

TICT has a large, representative based board, bringing together various industry sectors. Our current 23 Member board includes representatives of accommodation and hospitality operators; visitor attractions, experiences, and tour operators; transport operators, airlines and airports, Tasmania's four Regional Tourism Organisations, and tourism-related industry associations.

Executive Summary

TasTAFE is the dominant Vocational Education and Training (VET) provider in the tourism and hospitality sectors through its 'Drysdale' programs, representing about 95% of all public funding in tourism and hospitality VET.

The Tasmanian tourism and hospitality industries are heavily invested in the success of Drysdale in providing high quality training outcomes for our employers, and Tasmanians aspiring for meaningful careers across our visitor economy. Growing and developing our local workforce was one of the key priorities for our sectors before the disruption of COVID and is now presenting as an even greater challenge as we look beyond COVID.

Over the past five-years, TICT and its member organisations have invested considerable time and resources understanding the operations of Drysdale and the opportunity to reinvigorate tourism and hospitality VET in Tasmania. Hundreds of thousands of taxpayer dollars were spent on reports seeking to understand the magnitude of the workforce and skills challenge we face as a sector, and the capacity to improve outcomes from our VET provider. This investment culminated in a proposal to overhaul the governance and management of Drysdale, as a subsidiary unit of TasTAFE.

While the Tasmanian Government ultimately decided to not proceed with the reform of Drysdale, there are clear parallels in what was proposed then, and what is proposed now, for the whole of TasTAFE, through the *TasTAFE (Skills and Training Business) Bill 2021*.

TICT supports this legislation as a critical opportunity to revitalise public VET for the tourism and hospitality sectors in Tasmania. We believe legislative reforms are necessary to enable TasTAFE to be more industry-focussed, commercially driven, and accountable for training outcomes. We also see inherent risk for TasTAFE if these reforms do not happen. TasTAFE is at a critical juncture where its relevance and value as VET provider is questioned by many employers. The reality is if things don't change with TasTAFE, employers and industries will increasingly look to other training solutions, undermining the public VET system.

T21, COVID, and Tasmania's Tourism & Hospitality Workforce

TICT is a joint signatory with the Tasmanian Government to the [T21 Tasmanian Visitor Economy Action Plan 2020-22](#) – the State's destination management strategy guiding industry and government's response to the ongoing COVID disruption on Tasmania's \$2.5 billion p.a. visitor economy.

One of the immediate challenges identified within T21 is the immense impact of the disruption on Tasmania's tourism and hospitality workforce. COVID has had a far-reaching impact on Tasmanians working at all levels of the visitor economy, exposing serious shortcomings in our skills, training, and workforce development.

Our long-term reliance on foreign workers to fill critical skill shortages, particularly in the hospitality sector in regional areas, has been rudely exposed by the international border restrictions, while the uncertainty within our industry over the past 18-months has seen many Tasmanians with transferrable skills leave our sectors for more secure employment opportunities in industries not as exposed to COVID disruptions.

Our capacity to restore and grow our workforce over the next 12-18 months is likely to determine how quickly Tasmanian tourism recovers and restores the value of the visitor economy to our State.

Importantly, T21 recognises there are both short and long-term responses needed to achieve this objective: 'T21' has brought forward and facilitated positive initiatives in the workforce, training, and labour space, that should have long-term positive outcomes for our sector:

- As a major COVID response measure, the University of Tasmania provided free scholarships for Tasmanian tourism and hospitality operators and professionals to undertake post-graduate courses in business and tourism. This substantial and generous initiative provided the opportunity for many Tasmanians' working within our industry to participate in tertiary education for the first time in their lives, while signalling the university's aspiration to grow its tourism and hospitality training programs, and partnerships with industry.
- The Tasmanian Government established the 'Tourism & Hospitality Workforce Advisory Committee' (THWAC), to formally advise the State Government on the tourism and hospitality industry's priorities for Skills Tasmania funding within the VET system.
- The Tasmanian Government provided \$1 million in seed funding for the establishment of 'Visitor Experience Training Inc' (VXT) – a new not for profit training entity, jointly owned by TICT and the Tasmanian Hospitality Association. Establishing for the first-time in Tasmania, an industry-owned and operated training organisation for the tourism and hospitality sectors.
- Funding has been made available for both TasTAFE and VXT to deliver short-course training in priority skill areas, with a focus on up-skilling Tasmanians currently working in the sector or seeking to enter the sector for the first time, to fill priority skill gaps over the forthcoming peak visitor season – such as short-order cookery, room attendances, bar work etc.
- A skills and jobs portal will be launched in November, bringing together for the first time in one place, all the available jobs and training opportunities across the tourism and hospitality

sectors. This will be supported by a media and advertising campaign promoting the job opportunities in the tourism and hospitality sectors over summer.

While these initiatives are not directly related to the proposed reforms of TasTAFE and this draft legislation, it is important to provide context there is now significant momentum building to address long-term challenges with labour, skills and workforce development across Tasmania's tourism and hospitality sectors.

Re-establishing TasTAFE Drysdale as a nation-leading and respected VET provider for the tourism and hospitality sectors remains the outstanding and critical challenge that must be resolved in addressing our industry aspirations for a professional and world class tourism and hospitality workforce in Tasmania.

Re-establishing Drysdale as a genuine 'centre of excellence'.

The story of Drysdale is a Greek Tragedy with villains, heroines, and many complex interludes.

Once celebrated as one of Australia's leading tourism and hospitality training colleges, the diminishing status of Drysdale over the past two-decades represents arguably the single greatest failing of successive Tasmanian governments and our tourism and hospitality sectors, through an otherwise highly productive and outstanding era of growth and positivity within our industries.

Through the 80s and 90s, the Drysdale Institute was heavily supported and championed by industry for the quality of its training and the output of work-ready students. This was because Drysdale was engrained within industry, regularly bringing in leading chefs, restaurant, and hotel managers to teach students, while also delivering training in partnership with employers, including in regional parts of the State. Drysdale graduates were sought out by employers in Tasmania and interstate. The institute was a gold standard VET provider shepherding Tasmanian tourism and hospitality's evolution into the more professional and sophisticated industry we know today.

There is not one obvious moment when Drysdale's halo began to slip, but its demise, in industry's eyes, seems to parallel closely with the frequent changes in TasTAFE management, and the regularity of government intervention and changes of policy in the Tasmanian VET system:

- The disruptive and ultimately failed, 'Tasmania Tomorrow' Reforms
- The decision by TasTAFE management to firstly discontinue the iconic 'Drysdale' brand, only to then resurrect it, at the insistence of industry, but with no commitment to the underlying qualities of that brand – seen by most stakeholders as a cynical exercise in window dressing
- The removal of industry-centred management and oversight of training delivery.
- Lack of industry-centred training by tourism and hospitality professionals directly coming from industry, being replaced by careerist trainers with little or no recent industry experience.
- A long-term shift in Drysdale from its original purpose as an aspirational and quality training provider meeting demand from industry to a broad-base vocational trainer centred on student participation.

It is important to emphasise we fully acknowledge through this period there have been many outstanding individual training outcomes from TasTAFE Drysdale, and countless examples of young Tasmanians entering productive careers in our industry after completing their initial training at Drysdale.

There are also many outstanding trainers at Drysdale today, highly skilled in what they teach and passionate about our industry. Drysdale's outdoor guiding program, for example, remains the leading guiding program in Australia. But there is no denying Drysdale's reputation with industry is a shadow of what it once was, and Drysdale's training outcomes, generally, are not what they once were, or what we should expect for the investment by taxpayers, or our aspirations to establish a truly world class tourism and hospitality industry in Tasmania.

In supporting our position, and our aspiration to reform TasTAFE, it is important to outline the long and frustrating journey the industry has been through over five-years in seeking the rejuvenation of Drysdale:

Servicing our Growth Report

In 2016, at the peak of the 'tourism boom', the Tasmanian Government supported TICT and THA to commission a 'Servicing our Growth' report examining the workforce requirements of the industry in achieving the projected visitor target at the time.

This report presented a sobering picture of the labour shortages Tasmania's tourism and hospitality sectors could expect if it wished to maintain even a modest historical rate of compounding annual growth through the 2010s and into the 2020s. The report consulted with employers in identifying underlying historic challenges with workforce attraction and retainment, perceptions of the industry as an employer, and training outcomes.

The report was supported by an audit of current workforce and skills shortages across the tourism and hospitality sectors, concluding that based on projected visitor growth to Tasmania, an additional 930 workers would be required in accommodation and food services by 2023, and between 5,830 and 10,990 jobs would be created by 2030.

It is those shortages forecast in 2016, that we are now experiencing as we work our way through COVID, compounded by the lack of foreign workers to fill the urgent skill gaps.

The Workforce Audit also confirmed the declining relevance of the VET structure to the tourism and hospitality industries. The report found:

- 60% of the tourism and hospitality workforce did not have a formal post-secondary qualification.
- The number of tourism and hospitality placements in accredited VET in Tasmania had declined by 23% between 2013 and 2015, despite the relatively high unemployment at the time and tourism being one of the few strongly growing industries.
- Completion rates of the Tourism Travel and Hospitality Training Package has decreased by 60% between 2013 to 2015.

An outcome of this report was the establishment of an Industry Taskforce to unpack the issues raised in the audit, and present recommendations to industry and government on strategies to address the emerging skills crisis across the tourism and hospitality industries.

Dr James Cretan, former Chair of Tafe Tasmania and then-Chair of Tourism Tasmania, was asked to Chair the Taskforce, which included respected leading figures across the tourism and hospitality sectors, including Mark Wilsdon (Co-CEO of MONA), Bianca Welsh (Operator of Stillwater and Black Cow Bistros), Dominic Baker (then-General Manager of Wrest Point), Ian Johnstone (Founder of the award-winning Maria Island Walk), and demographer, Lisa Denny.

The Taskforce presented its report to industry and government in November 2017, headlined by the following priority recommendation:

- *‘in accordance with Section 58(2) of the Training and Workforce Development Act 2013, TasTAFE establish a new Tourism and Hospitality Workforce Development corporation, which will operate as a wholly owned subsidiary of TasTAFE, and governed by an industry board.’*

The Taskforce report concluded:

‘While the Taskforce noted some areas of strong engagement and support, (for example the Eco-guiding program), industry alignment is inconsistent, with some areas being strongly criticised for insufficient industry engagement and alignment. Additionally, partly due to remnant Tasmania Tomorrow type thinking, industry believes that Drysdale is currently more focussed on educational participation and student engagement than on industry workforce development and skills priorities. Industry requires Drysdale to change its focus and focus greater efforts on industry engagement, contemporary industry knowledge, relationships and responsiveness.’

The Taskforce also recommended this new Training entity be required to submit to the Tasmanian Government, through Skills Tasmania, an Annual Corporate Plan outlining proposed training activities for the year, including clear expectations and KPIs for enrolments, competition rates and training outcomes. This plan would be the basis of their annual funding deed and establish a new level of accountability and contestability in the delivery of tourism and hospitality VET in Tasmania.

That report – and these specific recommendations - was the catalyst for an unprecedented effort by industry to restore Drysdale as an industry-led and centred Vocational Training Provider.

Transitioning Drysdale Subcommittee

In August 2017, the Tasmanian Government formally responded to the ‘Servicing our Growth’ Taskforce Report, by committing to the establishment of a Drysdale Subcommittee of the TasTAFE Board, that included industry representatives, along with the transfer of the entire budget and management of Drysdale to the Sub-Committee. The Government also committed over \$3 million to invest in Drysdale capital and governance arrangements.

This Subcommittee was convened in December 2017 and chaired by Mr Aaron Devine, a former Executive Director of Drysdale in the mid-2000s, with extensive experience in the Vocational Education and Training sector across Australia. Mr Devine was joined by two nominated

representatives of the respective industry peak bodies, the TICT and THA, along with representatives of TasTAFE and the State Government.

By mid-2018, the Subcommittee had formed the view that the existing sub-committee model did not provide the management oversight of Drysdale that industry members expected or facilitate the required reforms they sought for Drysdale's training programs and organisational culture. While it was found the Tasmanian Government's commitment to transfer the entire budget and management of Drysdale to the sub-committee was not possible under the legislative functions and powers of TasTAFE and its Board.

In September 2018, TasTAFE committed to conducting an assessment of alternative governance models and structures for Drysdale. The governance options ranged from no separation from TasTAFE, to variations of the existing subcommittee structure, to an independent subsidiary business of TasTAFE, and a complete separation of Drysdale from TasTAFE.

The committee recommended pursuit of a subsidiary model, whereby Drysdale would be constituted as its own corporate entity, 100% owned by TasTAFE, but with its own industry-centred board, management, budget, and operating structure. The model was strongly and enthusiastically supported by industry and reflected a genuine desire from the tourism and hospitality industries to take responsibility for the success of Drysdale.

The Tasmanian Government ultimately chose not to pursue this reform, due to the strong opposition to the model from the TasTAFE board. Instead, supporting the industry with its 'Plan B' aspiration to launch its own industry training organisation, now known as 'VXT', and establishing a new Workforce Advisory Committee to advise Skills Tasmania on its funding of tourism and hospitality VET.

Nevertheless, the rationale for overhauling Drysdale's governance and management structure, and the strong evidence supporting that outcome, are directly relevant to the arguments supporting the Tasmanian Government's proposed reforms to TasTAFE now.

KPMG Business Case

Supporting the argument for transitioning Drysdale into an independent subsidiary of TasTAFE was a detailed Business Case prepared by KPMG in 2019. This Business Case looked carefully at the financial and economic model of Drysdale.

While Drysdale is only one part of TasTAFE, it does represent around 10% of the organisation's budget, and inevitably many of the underlying issues exposed by this business case must bare true across the whole organisation.

KPMG found:

- From 2012 there was steady decline in Drysdale enrolments, including a 10% decline between 2016 and 2018 – despite sustained and record growth in employment demand in the tourism and hospitality sectors, and Drysdale being the dominant provider in the tourism and hospitality VET market (in some areas the only VET provider).
- Completion rates had also steadily declining – some 60% through the 2010s.

- As its own business unit, Drysdale is operating in an unsustainable manner, posting annual deficits of around \$2 million most years.
- At the time, Drysdale was paying around \$2.4 million to TasTAFE and the Department of Education each year for corporate services and overheads – around 20% of its total budget.
- Illustrating the declining relevance and connectivity of training delivered to industry, sessional trainers represented just 1.5% of Drysdale staffing. Described as a ‘very unusual’ low rate of sessional trainers in the post-secondary education system.

In summary, the KPMG Business Case confirmed the issues identified by industry through the ‘Servicing our Growth’ Taskforce:

- Drysdale’s standing with industry and employers has declined, despite it being the dominant provider in the Tourism and Hospitality VET system.
- During a period of prolonged industry growth, strong labour demand, and unprecedented media awareness and attention on the tourism and hospitality industries, enrolments at Drysdale had steadily declined.
- The overall quality and relevance of the training delivered by TasTAFE was questionable, with growing rates of course dropout, and lowering rates of post-secondary educational attainment within the industries.
- For an industry that must offer contemporary and relevant training, Drysdale has nearly no seasonal training being delivered from out of industry.
- Drysdale was technically not financially sustainable; losing money every year with significant overheads paid to TasTAFE and the Department of Education.

Importantly, TasTAFE did not refute any of the presumptions, figures, or modelling contained within the KPMG Business Case in 2019, and despite the disruption of COVID there is no indication the underlying issues with Drysdale have improved over the past 18-months. Indeed, once the decision was made to not proceed with the business case, TasTAFE management moved swiftly to abolish the Drysdale Subcommittee made up by industry stakeholders and discontinued the senior executive position of Drysdale General Manager; decisions that have only widened the disconnect and antagonism between the training body and its industry clients.

TasTAFE (Skills and Training Business) Bill 2021

TICTs perspective on TasTAFE reflects the tourism and hospitality sectors experiences with Drysdale, who deliver all the tourism and hospitality VET offered by TasTAFE. Different industries will have very different experiences with TasTAFE, and few will have invested as much energy and resources as we have over the past few years considering the future of VET in our sector.

It is nonetheless clear many of the arguments for the *TasTAFE (Skills and Training Business) Bill 2021*, and aspirations for this reform, mirror the rationale and arguments put forward in seeking to reform Drysdale.

TICT can see opportunity through this legislation, for many of the critical issues with Drysdale identified by the ‘Servicing our Growth’ Taskforce, Drysdale Subcommittee, and KPMG Business Case, to now be addressed as part of a broader reform of TasTAFE.

In transitioning TasTAFE from a Statutory Authority to a State Owned Company operating within the Corporations Act, we see obvious opportunities to enhance the training delivery and resolve long-standing frustrations with the VET system:

- The proposed overhaul of the governance arrangements of TasTAFE and moving to a nimbler and more commercially orientated SOC structure will empower directors and management to make commercial decisions around training delivery without persistent government and political pressures.
- Establishing an employment structure within TasTAFE outside the tight provisions of the public service, will encourage more seasonal training with industry professionals, and a greater turn-over of teachers and trainers to ensure training delivery remains contemporary with best industry practice.
- A more commercial mindset and greater employment flexibility will lead to more adaptable training delivery – including the delivery of training over summer months, weekends, and evenings, in alignment with industry demand, and in regional areas. The Tourism and Hospitality sectors operate on a 365-day calendar and across all corners of Tasmania – not school terms in just the major population centres. Our VET provider must operate with the flexibility to deliver training when and where it is needed by employers.
- More flexibility with commercial contractual arrangements and purchasing agreements – something identified as a frustrating challenge with Drysdale in acquiring fresh produce and training resources.
- Commercially driven business practices to generally improve efficiencies and drive down overheads.
- Greater accountability in the contested VET funding system, in competing and being measured alongside other RTOs.

TICT also strongly welcomes the proposal to establish rolling industry compacts - or MoUs – between TasTAFE and industry, agreeing on priority training outcomes and expectations. This clearly aligns with the ‘Servicing our Growth’ Taskforce’s proposal for Drysdale to be required to submit to the State Government its own Annual Corporate Plan to receive funding packages.

The outcome of this ‘compact’ must be genuine consultation between TasTAFE, employers, and government, around the agreed training priorities, and clear expectations on performance and outcomes. Having the VET provider, employers, and the public funder provider, sharing ownership, and being equally invested and accountable for the training being delivered, would go a long way resolving current cynicism and improving overall sentiment towards tourism and hospitality VET in Tasmania.

Risks of Not Proceeding with these Reforms:

There are inevitable risks associated with any major government reform, and clearly in the VET space Tasmanian’s have witnessed the failure of past reforms that have only caused negative disruption to teachers, students, and the broader community. We understand the inherent resistance from some stakeholders to any major VET reforms.

Our perspective on these reforms is very much viewed through the prism of our experience with Drysdale and the considerable work undertaken over recent years in understanding why this once

celebrated VET institution has slipped so far in the eyes of industry. Drysdale is a relatively isolated business unit of TasTAFE, and we do not seek to offer any perspective on other industries' experiences with TasTAFE. However, it is clear many of the issues identified with Drysdale around training delivery and outcomes, financial performance, staff management and governance, and declining reputation with employers and students, are common issues right across TasTAFE.

Few stakeholders seem to dispute the need for significant change at TasTAFE. The argument against this legislation seems focussed on a prevailing view the Government is somehow 'privatising' TasTAFE, that the changes are disruptive to employees, and that the VET system is fundamentally underfunded.

Ignoring the political undertone behind the claim this draft legislation to essentially change a Statutory Authority into a State-Owned Company is somehow 'privatising' TasTAFE, the real risk to public VET from not proceeding with these reforms, is that the reputation of TasTAFE continues to deteriorate, training outcomes worsen, good staff leave the organisation, and more employers and industries turn to private Registered Training Organisations.

That outcome is a very real and current risk with our own industry, that would ultimately lead to pressure on government to make more VET funding available to other RTOs in the contestable market. Rather than 'privatising' TasTAFE, the real risk of not doing something significant to improve TasTAFE is that the market simply shifts to non-public VET providers anyway.

In terms of funding, clearly the sector needs investment, and we note the Tasmanian Government has committed \$100 million to improve TasTAFE as part of this reform agenda. Ensuring this money is invested sensibly and strategically is critical, and that is why the industry compact proposal seems critical to the reform agenda.

Clearly, the challenge with these reforms will be in its implementation and ensuring the appropriate governance structures and leadership is in place to achieve the Government's stated objectives for a more dynamic, commercially driven and outcome focussed TasTAFE, delivering improved training outcomes for Tasmanian employers and the community.

Based on our experience in seeking to reform Drysdale over recent years, we would question whether the current TasTAFE board has the capacity, leadership. or authority to achieve any of these objectives within the current governance arrangements. The current board is made up by current and former public servants, consultants and educational experts. Clearly it needs to transition under these reforms a more commercial skills orientated make-up, with greater industry and employer representation.

TICT strongly supports the passage of this legislation.