

The Senate

Education and Employment
References Committee

Getting our money's worth: the operation,
regulation and funding of private vocational
education and training (VET) providers in
Australia

October 2015

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RECOMMENDATIONS

Recommendation 1

2.109 The committee recommends that, given the evidence of rampant abuse, accelerating costs, and doubling of bad debt the government launches an immediate review into the operation and regulation of VET FEE-HELP.

Recommendation 2

2.110 The Committee recommends that this review considers the most effective way to control costs of courses for students under VET FEE-HELP by either instituting a lower and separate loan limit or a cap on student loan amounts.

Recommendation 3

2.111 The Committee further recommends that this review considers the most effective way to limit provider access to VET FEE-HELP so that only providers with the highest reputation for quality have unfettered access to the scheme. The Committee recommends that the government mandates minimum entry standards of year 12 completion or equivalent for access to VET FEE-HELP loans for Diploma level courses and above.

Recommendation 4

2.112 The Committee opposes suggestions to lower the repayment threshold to \$30,000 or \$40,000. Asking lower income earners to pay for the failure of government to properly regulate the operations of VET FEE-HELP – and for the rampant and unethical misbehaviour of some private providers – fails both the practical and ethical test.

Recommendation 5

3.82 The committee recommends that urgent and concerted efforts are made to further raise awareness of the rights of students and existing Standards relating to providers in the VET sector. This effort should focus on advocacy groups dealing with the most vulnerable members of the community, including the long-term unemployed or disadvantaged, migrants and people with disabilities.

Recommendation 6

3.83 The committee recommends that the Department of Education and Training and the Australian Skills Quality Authority conduct a concerted and urgent blitz of all providers to ensure that they are consistently complying with the national standards, especially those relating to student recruitment. This blitz should be aimed at defending the interests of students, enforcing adherence to

AQF volume of learning standards and removing non-compliant RTOs as VET FEE-HELP providers.

Recommendation 7

3.84 The committee recommends that the government, where there is evidence to do so, provides a brief to the DPP to launch prosecutions against providers engaged or benefiting from fraud and take steps to recover monies lost.

Recommendation 8

3.85 The committee recommends that the Australian Skills Quality Authority be given powers to directly regulate brokers or marketing agents in the VET sector, and to protect students.

Recommendation 9

3.86 The committee recommends that the government caps or otherwise regulates the level of brokerage fees paid for VET FEE-HELP students to maximum amount of 15 percent the amount of the loan.

Recommendation 10

4.86 The committee recommends that the government apply, in consultation with industry and quality providers, minimum hours standards to VET FEE-HELP eligible courses.

Recommendation 11

4.87 The committee recommends that the Australian Skills Quality Authority be given the powers to take swift and strong action against Registered Training Organisations found to be providing inadequate training to their students.

Recommendation 12

4.88 The committee recommends that the Department of Education and Training should have to approve any instances of Registered Training Organisations subcontracting out components of their VET FEE-HELP eligible training to non-registered third parties.

Recommendation 13

4.89 The committee recommends that the Australian Skills Quality Authority maintains its close scrutiny on and gives priority to the Early Childhood and Aged Care training sectors, given the concerns noted in this report.

Recommendation 14

5.78 The committee recommends that the underpinning legislation for the Australian Skills Quality Authority be revamped in order to give the regulator sufficient powers to adequately regulate the Vocational Education and Training sector, to protect the rights of students and to act more firmly and quickly to stamp out abuses.

Recommendation 15

5.80 The committee further recommends that the Australian Skills Quality Authority improves its processes to enable it to more swiftly share information with other levels of government, regulators, government departments and law enforcement agencies.

Recommendation 16

5.81 The committee recommends that an Ombudsman focused on domestic students in the VET sector be created, and further suggests that this position be industry-funded.

CHAPTER 1

Background to the inquiry

Reference

1.1 On 24 November 2014 the Senate referred the following matter to the Education and Employment References Committee for inquiry and report by 10 August 2015:

The operation, regulation and funding of private vocational education and training (VET) providers in Australia, including:

- (i) the access private VET providers have to Commonwealth and state public funding,
- (ii) the cost of education at private VET providers,
- (iii) the regulatory regime private VET providers operate within,
- (iv) the operation of VET-FEE-HELP,
- (v) the quality of education provided by private VET providers, volume of learning requirements and graduate outcomes,
- (vi) marketing and promotional techniques employed by private VET providers and education brokers both domestic and international,
- (vii) any incidents or allegations of non-compliance with regulation and funding arrangements at private VET providers,
- (viii) political donations made by private VET providers,
- (ix) international comparisons to the Australian funding and regulatory regime,
- (x) the operation, regulation and funding of private VET providers specifically offering courses in aged care and early childhood education and their labour market outcomes, and
- (xi) any related matters.

1.2 The committee tabled an interim report on 2 March 2015 and a second interim report on 5 June 2015.

1.3 On 14 May 2015, the committee was granted an extension by the Senate to table its final report by 16 September 2015.

1.4 On 7 September 2015, the committee was granted a further extension by the Senate to table its final report by 14 October 2015.

Background

1.5 In April 2012 the Council of Australian Governments (COAG) agreed to a revised National Agreement for Skills and Workforce Development and a new National Partnership Agreement on Skills Reform.

1.6 At the heart of these reforms was the adoption of the Commonwealth proposal for a national training entitlement, the increased availability of income contingent loans, and a more open and competitive vocational and educational training (VET) market.

1.7 As of July 2014, VET providers in all states and territories, excluding ACT, have access to the income contingent loan scheme VET-FEE HELP.

1.8 Since the introduction of these reforms the profile of VET provision in Australia has changed significantly, and as such, this inquiry aims to provide some perspective on the impacts of these changes, with a specific focus on private providers.

Entrenched allegations of exploitation and profiteering

1.9 The committee has been provided and has heard harrowing and concerning evidence of misconduct by private VET providers. The private VET sector has been subject to a range of allegations in the public arena not limited to that of exploitative conduct, shoddy training and massive profits at the public expense.

1.10 It is an irony that in the name of social justice an exploitative scheme to enrich individuals has been allowed to flourish at the expense of the most vulnerable who end up with a debt, but no qualification, or a worthless qualification.

1.11 The committee has heard evidence that there has been a massive transfer of public wealth from the Commonwealth and state government – and taxpayers – to private individuals as a result of rushed rollout of demand driven entitlement schemes, particularly in Victoria and by the Commonwealth through VET FEE-HELP.

1.12 There is a clear contrast between the actions of the Commonwealth government and that of the Victorian government. In Victoria, the new government has acted to clean up a VET sector in crisis in that state, with the withdrawal of 8,000 qualifications and the naming and shaming of providers.

1.13 The Commonwealth government has been slow to act. New standards have only just come into effect as of 1 July 2015. Additional reforms to VET FEE-HELP come into effect on 1 January 2016, and the new Minister for Vocational Education has flagged additional legislation.

1.14 The national regulator, the Australian Skills and Quality Authority (ASQA), is diligent. It has competent public servants and the Chief Commissioner, Mr Chris Robinson, is highly respected. However ASQA, and the Department of Education and

Training which regulates access to VET FEE-HELP, has faced severe challenges dealing with the abuses of some private providers. The committee is of a view that there is every reason to doubt that ASQA is fit for purpose, and that the regulatory architecture of VET may need a revamp. As the Chief Commissioner told Senate estimates in June, 'I work with the tools that I have'.¹

1.15 The committee is of a view that the Commonwealth government, the Department of Education and Training and the regulatory authorities have lacked appropriate agility in dealing with the exploitative practices that the rollout of state and Commonwealth demand driven entitlement schemes have produced.

1.16 It is great concern to the committee that the regulator has been accused of being a “paper tiger”, or that one commentator has compared the performance of ASQA to that of the Queensland Greyhound Racing board.

1.17 Recommendations have been made to address these issues, but this is clearly an area where constant vigilance and change will be required before the Australian people can enjoy the confidence that they have the right to demand from their VET sector.

Broader policy implications – higher education

1.18 Government policy remains to open up competition in the higher education sector, beyond VET qualifications through to associate degree and bachelor degree qualifications. The committee received submissions commenting on this issue, and warning that such a policy approach would be mistaken.

1.19 In particular the Australian Catholic University warned about:

the reported practices of some of the private VET providers as a sign of what might happen if Commonwealth Supported Places (CSP) are extended to non-university higher education providers (NUHEPs). In other submissions to this committee, ACU has argued against the extension of CSP to NUHEPs on the basis that many of the practices which the VET system has experienced may be translated to the higher education system and may damage the reputation of the entire system, as they have done to the VET system.²

1.20 The committee is of a view that expanding a demand driven entitlement to the private sector to access Commonwealth subsidies for sub-bachelor and bachelor degree programs entails unacceptable risk to the reputation of Australian higher education. If the government wants to expand access to pathway programs it must consider alternative approaches rather than replicate the failed approaches seen in VET around the country.

1 *Estimates Hansard*, 3 June 2015, p. 83.

2 Australian Catholic University, *Submission 59*, p. 3.

The conduct of this inquiry

1.21 Details of the inquiry were made available on the committee's website. The committee also contacted a number of organisations inviting submissions to the inquiry.

1.22 The committee called for submissions by 13 February 2015 and extended this date to 31 March 2015 due to the ongoing interest expressed by members of the community. The committee also allowed a number of extensions to submit and has offered a right of reply to several providers.

1.23 Submissions were received from 89 individuals and organisations, as detailed in Appendix 1.

1.24 The committee held public hearing in Sydney and Melbourne on 16 July 2015 and 2 September 2015, respectively. The witness lists for the hearings is available in Appendix 2.

Acknowledgement

1.25 The committee thanks those individuals and organisations who contributed to the inquiry by preparing written submissions and giving evidence at the hearings.

CHAPTER 2

The role and funding of private VET providers

Vocational education and training in Australia

2.1 The University of Sydney Business School Workplace Research Centre reported in January 2015 on the 'Capture of Public Wealth by the For-Profit VET Sector', describing the mission of vocational education and training (VET):

to provide Australians with vocationally-oriented, post-school qualifications. These qualifications serve three broad purposes: to provide entry or progression in the labour market, to move to higher level studies, and to contribute to social inclusion and social mobility.¹

2.2 Vocational education and training (VET) therefore encompasses a broad range of education and practical training that is designed to provide workplace-specific skills and knowledge.

2.3 VET in Australia is provided in multiple ways, including through the public system, via technical and further education (TAFE) institutes, community groups, industry, enterprise or union based groups and private providers.²

2.4 VET qualifications are issued under the Australian Qualifications Framework by Registered Training Organisations (RTOs).

2.5 The Department of Education and Training noted in its submission:

The Australian Government provides significant funding to state and territory governments for the operation of the training systems. State and territory governments have legislative responsibility for training within their jurisdiction, including responsibility for student eligibility, access to government subsidies, setting of strategic priorities for delivery of courses and qualifications, and operation of TAFEs.³

2.6 Although largely a state and territory responsibility, the Commonwealth government has increasingly played a role in both the funding and the regulation of vocational education and training and the current system provides an example of responsibilities shared by different levels of government, as well as between government and non-government bodies of different types:

1 Workplace Research Centre, appendix to Australian Education Union, *Submission 62*, appendix p. 8, drawing on Gallacher, J, Ingram R & Reeve F (2012) 'Are vocational qualifications vocational?', in: Pilz, M (ed) *The Future of Vocational Education and Training in a Changing World*, Springer VS, Wiesbaden.

2 Australian Skills Quality Authority website, 'Australia's VET sector', <http://www.asqa.gov.au/about/australias-vet-sector/australias-vet-sector.html> (accessed 5 August 2015).

3 Department of Education and Training, *Submission 48*, p. 2.

Vocational education and training is provided through a network of eight state and territory governments and the Australian Government, along with industry, public and private training providers. These organisations work together to provide nationally consistent training across Australia.⁴

2.7 The Commonwealth increased its presence in the VET sector beginning with the National Training System's introduction in the early 1990s, which also led to the first user-choice funding arrangements in the sector.⁵

2.8 Writing in the Australian Financial Review, Mr Peter Noonan described the split in responsibilities between the Commonwealth and the states and territories as:

a somewhat messy, shared responsibility between the Commonwealth and the states. The Commonwealth funds about one-third of VET through the states. It regulates VET except for state-based providers in Victoria and Western Australia. It operates an income contingent loans scheme for VET diploma and advanced diploma students but the states control public subsidies and fees for VET courses. The Commonwealth provides substantial funding for employer incentives for apprenticeships and traineeships, but the states regulate them.⁶

2.9 The Australian Skills Quality Authority – the government body responsible for the regulation of standards for VET providers – argues that:

...the VET sector is crucial to the Australian economy; both for the development of the national workforce and as a major export industry.⁷

2.10 Thus, it is of utmost importance that Australia's VET sector is well-regulated, meets the needs of both students and employers and provides value for money for students and the Commonwealth alike.

2.11 Regulation and funding must have as its end point the provision of a strong and sustainable skills base for the Australian economy and communities. Government funding in VET must ensure that investment in training is properly targeted, contributes to economic growth and productivity, supports lifelong learning and addresses disadvantage.

2.12 The committee is of the view that there is considerable doubt as to whether Commonwealth activities – particularly as regards the regulation of the sector and its funding through VET FEE-HELP – are achieving these objectives.

4 Australian Skills Quality Authority website, 'Australia's VET sector', <http://www.asqa.gov.au/about/australias-vet-sector/australias-vet-sector.html> (accessed 5 August 2015).

5 Australian Education Union, *Submission 62*, p. 8.

6 'First move to clean up mess in vocational education', *Australian Financial Review*, 26 July 2015. (Available at: <http://www.afr.com/news/policy/education/first-move-to-clean-up-mess-in-vocational-education-20150724-gijtry>; accessed 7 October 2015).

7 Australian Skills Quality Authority website, 'Australia's VET sector', <http://www.asqa.gov.au/about/australias-vet-sector/australias-vet-sector.html> (accessed 5 August 2015).

The recent introduction of government funding for private providers

2.13 The majority of Australia's VET training has until recently been provided by the state-run TAFE institutes. However, non-TAFE providers, including private profit-based institutions have also long existed alongside the TAFE system.

2.14 While contestable public funding in the VET sector had existed across the states before then, in April 2012 the Council of Australian Governments (COAG) made two agreements relevant to the vocational education and training sector: the National Agreement for Skills and Workforce Development (NASWD) and the National Partnership Agreement on Skills Reform (Skills Reform NP).

2.15 The National Partnership Agreement for Skills Reform sought to:

contribute to the reform of the Vocational Education and Training system to deliver a productive and highly skilled workforce which contributes to Australia's economic future and ... enables all working age Australians to develop skills and qualifications needed to participate effectively in the labour market.⁸

2.16 The Agreement identified a number of reform directions, including:

- introduction of a national training entitlement and increased availability of income contingent loans;
- improving participation and qualifications completions at higher levels;
- encouraging responsiveness in training arrangements by facilitating the operation of a more open competitive market;
- recognising the “important function of public providers “ in servicing the training needs of industries, regions and local communities” and their “role that spans high level training and workforce development”; and
- assuring the quality of training delivery and outcomes.⁹

2.17 At the heart of these reforms is the adoption of the Commonwealth proposal for a national training entitlement and a more open and competitive training market.

2.18 At the same time COAG also agreed the National Agreement for Skills and Workforce Development. The Agreement identifies the long-term objectives of the Commonwealth and State and Territory Governments in the areas of skills and workforce development, and recognises the interest of all governments in ensuring the skills of the Australian people are developed and utilised in the economy.

8 Council of Australian Governments, *National Partnership for Skills Reform*, p. 1.

9 Council of Australian Governments, *National Partnership for Skills Reform*, p. 6.

2.19 As part of the Agreement, COAG allocated certain roles and responsibilities to the Commonwealth and the State and Territories. Some of these responsibilities will be shared between the two levels of government.

Commonwealth responsibilities

The Commonwealth will:

- (1) provide funding contributions to States and Territories to support their training systems;
- (2) provide specific interventions and assistance to support:
 - (a) industry investment in training;
 - (b) Australian Apprenticeships;
 - (c) literacy and numeracy; and
 - (d) those seeking to enter the workforce.
- (3) coordinate the development and publication of the Annual National Report as legislated under the Skilling Australia's Workforce Act 2005; and
- (4) ensure data is provided as required.

State and Territory responsibilities

States and territories will:

- (1) determine resource allocation within their State/Territory;
- (2) oversee the expenditure of public funds for, and delivery of, training within states and territories; and
- (3) ensure the effective operation of the training market.

Shared responsibilities

Develop and maintain the national training system including:

- (1) developing and maintaining a system of national regulation of RTOs and of qualification standards;
- (2) ensuring high quality training delivery;
- (3) supporting and implementing the reform directions;
- (4) establishing priorities and developing strategic policy initiatives to deliver the objectives and outcomes of this Agreement, including through the Standing Council on Tertiary Education, Skills and Employment (SCOTESE) and supporting groups;
- (5) ensuring RTO compliance with data requirements as specified through regulation and contractual arrangements for public funds, with improved access to data by students and others, including the release of data on a national website such as MySkills and on RTOs' own websites;
- (6) supporting industry to engage directly with RTOs; and

(7) commitment by both levels of government to the sharing of an agreed set of data on the training system and the labour market.¹⁰

2.20 This meant that all jurisdictions committed to pursue these reforms in the sector, with the objective of:

- Improving training accessibility, affordability and depth of skills, including through the introduction of a national training entitlement and increased availability of income contingent loans; and
- Encouraging responsiveness in training arrangements by facilitating the operation of a more open and competitive training market.

2.21 The Skills Reform NP also introduced the National Training Entitlement, which guarantees a subsidised place for all working-age Australians for at least a Certificate III at a provider of their choice.

2.22 Contestability in the VET sector drew a broad range of responses from across relevant stakeholders.

2.23 TAFE Directors Australia (TDA), for instance, while broadly supporting the existence in the marketplace of private providers, noted that:

some of the example of private market behaviour have not enhanced competition, boosted skills or increased the nation's productivity. Perhaps worst of all the trust of the community in the brand of Vocational Education and Training has diminished.¹¹

2.24 The National Tertiary Education Union (NTEU), representing staff at universities, research institutes and in non-teaching roles at TAFE institutes, criticised the introduction of contestability by pointing to what it called 'The Failed Victorian Experiment':

The evidence and analysis presented in this submission demonstrates that fully contestable markets have undermined the financial and education viability of many of Victoria's TAFE institutes while simultaneously also failing to meet their policy objectives.

In 2008 the Victorian state Brumby Labor government introduced its Securing Jobs for Your Future reforms which, amongst other things, made all public VET funding fully contestable between TAFE institutes and private VET providers. These reforms led to a massive increase in VET student enrolments, growing by 31% in Victoria (compared to only 7.3% for the rest of Australia) over the period 2008 to 2012. The growth in enrolments was predominantly in private research and training organisations (RTO's). This growth is reflected in the startling increase in the number of RTOs in Victoria, more than doubling from 201 in 2008 to 421 by 2013, and whose share of total enrolments increased from 14% to 48% over the same period.

10 Council of Australian Governments, *National Agreement for Skills and Workforce Development*, pp. 7-8.

11 TAFE Directors Australia, *Submission 12*, p. 2.

While the deregulated system has led to very impressive growth in student enrolments, it also has had negative consequences, particularly in terms of meeting skills shortages and in workforce training and productivity.¹²

2.25 In contrast, the Australian Chamber of Commerce and Industry argued that contestability in the VET sector has benefited students, employers and TAFEs alike:

The opening of the VET market has led to greater access to training for a broader array of students, including substantial numbers of international students. Increased competition has also led to greater flexibility in RTOs offering courses beyond the old TAFE model of four ten week terms with training delivered between 9am and 4pm on campus. Employers and individual learners can now access training outside of standard working hours, over weekends, during slow times for business and increasingly training and assessment is being conducted in the workplace rather than on campus. The traditional technical learning model based around modular learning programs taught in four to ten week blocks during standard working hours at the local TAFE campus in many cases no longer fits the needs of students or employers. Importantly, TAFE itself has responded favourably to competition, with many colleges offering a more responsive and competitive service. This change in offering would not have occurred without the sector being opened to competition.¹³

2.26 Further commentary on the effects of a competitive training market in the VET sector can be found in this committee's 2014 inquiry into Technical and Further Education in Australia.¹⁴

2.27 The Skills Reform NP also expanded access to the income-contingent loan scheme to students undertaking Diploma or Advanced Diploma qualifications.¹⁵

2.28 The Department of Education and Training reports that, as of 1 January 2015, there were 4,609 registered training organisations in Australia, 3,440 of which were privately operated.¹⁶

2.29 The Department provided the following figures for the number of RTOs by type with at least one student in the public VET system as of 2013:

- TAFEs: 57
- Private RTOs: 1368
- Enterprise RTOs: 96

12 National Tertiary Education Union, *Submission 29*, p. 2.

13 Australian Chamber of Commerce and Industry, *Submission 36*, p. 8.

14 Education and Employment References Committee, *Technical and further education in Australia*, May 2015.

15 Department of Industry and Science, About the skills sector: National Partnership Agreement on Skills Reform (available at <http://www.industry.gov.au/skills/About/NationalPartnership/Pages/Access.aspx>; accessed 10 September 2015).

16 Department of Education and Training, *Submission 48*, p. 1.

-
- Schools: 35
 - Universities: 13
 - Adult and Community Education Providers: 329
 - Other: 26
 - Total: 1924¹⁷

Good intentions: how VET FEE-HELP was introduced and operated

2.30 Introduced in 2008, VET FEE-HELP is part of the Commonwealth's Higher Education Loan Programme (HELP) and provides loans to eligible students undertaking higher level (diploma and above) VET qualifications.

2.31 The intention behind VET FEE-HELP was to make available for students options which otherwise they might not have, particularly for financial reasons. The Department of Education and Training explained that:

VET FEE-HELP makes study possible for students who would not otherwise be able to undertake training due to the upfront costs.¹⁸

2.32 VET FEE-HELP provides the same level of financial support to VET students as has been provided to university students since the 1980s when the former Higher Education Contribution Scheme (HECS) program was introduced. It allows access to education, where access might otherwise be impossible because of the cost of further education.

2.33 As with other components of the HELP system, loans are repaid through the taxation system once a compulsory repayment income threshold is reached.¹⁹

2.34 Individuals also have lifetime limits for the total amount of VET FEE-HELP loans they can access.²⁰ While this lifetime limit can protect students from accruing unmanageable debts, the committee noted that this may also cause problems for students who access VET FEE-HELP while attaining qualifications which ultimately have little worth in finding or improving employment and thus have limited access to VET FEE-HELP loans to later supplement their training.

2.35 Access to VET FEE-HELP is not available to all students undertaking VET courses; providers must be approved by the Department of Education and Training to become eligible to offer access to VET FEE-HELP to their students.

17 Department of Education and Training, *Submission 48*, p. 2.

18 Department of Education and Training, *Submission 48*, p. 13.

19 In 2015-16, this was \$54,126; see Department of Education and Training, *VET FEE-HELP Information for 2015*, p. 24.

20 In 2015, this was \$97,728; see Department of Education and Training, *VET FEE-HELP Information for 2015*, p. 15.

2.36 In order to become a provider eligible to offer VET FEE-HELP courses, an RTO applies to the Department of Education and Training. The Department outlines the requirements for an organisation to be considered eligible:

Your organisation must:

be a body corporate—this is not a requirement for organisations that are a specified body and are applying in the VET sector

pass the ‘fit and proper person’ test—this is not a requirement for specified bodies

have its business, management and control in Australia

have, or be taken to have, education as its principal purpose

be a registered educational organisation.²¹

2.37 In addition, to be considered as a VET FEE-HELP provider, RTOs must:

- offer at least one eligible course, and provide tuition assistance for all eligible courses
- be, and be likely to remain, financially viable
- meet the requirements to ensure it treats its students fairly and meets the privacy requirements
- administer its fees correctly
- be able to administer the loans scheme once approved and provide data to the Department.²²

2.38 In 2013, just over 100,000 students accessed VET FEE-HELP loans, totalling \$699 million worth of loans.²³

2.39 Notably, in recent years the number of students accessing VET FEE-HELP loans has increased significantly, as the following table illustrates:

	2009	2010	2011	2012	2013
# Students accessing VFH	5 262	26 112	39 124	55 115	100 035
VFH loans (\$m)	26	118	205	325	699

21 Department of Education and Training, *FEE-HELP and VET FEE-HELP Provider Application Guide*, May 2015, p. 9, <http://docs.education.gov.au/node/34293>, accessed 7 October 2015.

22 Department of Education and Training, *FEE-HELP and VET FEE-HELP Provider Application Guide*, May 2015, pp. 9-10, <http://docs.education.gov.au/node/34293>, accessed 7 October 2015.

23 Department of Education and Training, *Submission 48*, p. 13.

Average loan per student (\$)	4861	4503	5247	5890	6990
# VFH providers	39	55	85	105	156

Department of Education and Training, *Submission 48*, p. 13.

2.40 As demonstrated in the table above, the numbers are rising across all categories: number of students enrolling in courses financed by VET FEE-HELP loans, the average size of those loans, the corresponding overall cost of the VET FEE-HELP programme from the Commonwealth's perspective and the number of providers of VET courses who are opting in to the VET FEE-HELP system.

2.41 The Department of Education and Training Portfolio Budget Statement reveals that 225,500 students will access a VET FEE-HELP loan in 2014-15. Although this will be moderated by recent changes and fall back to 128,000 in 2015-16, the expectation is that growth in this program will accelerate to again reach 225,000 students in 2018-19.²⁴ Consequently Higher Education Loan Program expenses will increase from \$2.4 billion in 2015-16 to \$4.4 billion in 2018-19.

2.42 As of 2013, Government subsidised students fell into the following provider types:

	TAFEs	Private RTOs	Enterprise RTOs	Schools	University	ACE providers	Other	Total
Government funded	800,569	457,353	24,900	45,606	52,603	107,153	14,037	1,502,221
Market share	53%	30%	2%	3%	4%	7%	1%	100%

Department of Education and Training, *Submission 48*, p. 2.

2.43 In 2014, 1.79 million students were enrolled in government-funded VET courses. Broken down by provider type, there were:

- 1.08 million (60.6%) students at TAFE and other government providers;
- 95,500 (5.3%) at community education providers;
- 582,500 (32.6%) at other registered providers, such as private for profit providers, industry and union organisations and other specialist groups; and

24 Budget 2015-16: Portfolio Budget Statements 2015-16, Budget Related Paper No. 1.5, Education and Training Portfolio, p. 50.

- 26,300 (1.5%) attending various provider types.²⁵

2.44 The Australian Education Union noted in its submission:

The remarkable expansion of the VET “market” has taken place very quickly. Between 2008 and 2013, expenditure on payments to non-TAFE (private) providers increased by \$839.4 million, or 160 per cent.²⁶

2.45 Yet despite TAFE enrolling nearly twice as many government-funded students in VET courses as were enrolled with other providers, as the Australian Education Union notes, ‘More than 75 per cent of VET FEE-HELP funding goes to private for-profit providers’.²⁷

2.46 While TAFEs have a considerably higher market share than private/enterprise RTOs, a reflection of the broader remit TAFEs have and the variety of types of RTOs, which range from small providers focused on specific industries to multi-campus organisations with thousands of students across a variety of courses.

2.47 There is concern that if the Victorian experience of contestability is reflected nationally, then the role of TAFE could become residual as private providers skim low cost, high volume courses from the public provider – supported by the implicit subsidy offered by VET FEE-HELP.

2.48 To date much of the attention has been on predatory behaviour within the private RTO industry – both in terms of misleading practices and strategic behaviour.

2.49 However, many private RTOs do not fall into this category. The committee has heard evidence of quality private RTOs with a long history in providing excellent educational offering relevant to industry and their communities.

2.50 Market reform – which must come if the private vocational education industry is to have a future in Australia – must involve consolidating and recognising the excellence that has long existed in the industry.

2.51 The committee is of the view that the hyper competitive reality of unrestricted contestability must give way, and ways in which both TAFE and private RTOs can complement each other to provide a more complete range of training.

2.52 Mr Martin Powell, Victorian Executive Officer of the Australian Council for Private Education and Training commented:

I think that is where the private providers complement the TAFE delivery because they have certain community service obligations and they run larger overheads with infrastructure et cetera having a full service model, so the flexibility of our members and any of the state training authorities being

25 National Centre for Vocational Education Research, *Australian vocational education and training statistics: Government-funded students and courses 2014*, Report, p. 5.

26 Australian Education Union, *Submission 62*, p. 5.

27 Australian Education Union, *Submission 62*, p. 23.

able to provide some training dollars via that other means not only adds choice to the student but gives probably a broader scope of delivery.²⁸

Education for profit or need?

2.53 Throughout this inquiry, the committee heard that a fundamental problem with private provision of VET courses is that educational priorities are sometimes at odds with the profitability considerations central to the operation of a business.

2.54 The Consumer Action Law Centre commented:

Corporate private VET providers are obliged to act in the interest of the company, which means generating returns for shareholders is a priority. While not mutually exclusive to teaching and learning, scholarship and quality education, this clearly creates a tension between acting in the best interests of students (which often involves capital expenditure on support services) and maximising profits.²⁹

2.55 Concerns were raised by submitters that one of the most direct effects of opening the VET sector up to contestable government funding has been that providers have based their course offerings on access to government funding and not on training students for areas in which skills shortages exist. Given the VET sector exists, primarily at least, to prepare students for employment, this may represent a critical problem with the sector as it currently stands.

2.56 The Australian Council of Commerce and Industry noted:

There is no doubt that course offerings and training behaviour is driven by government funding provision, and although this does not always deliver a bad outcome, there is sufficient evidence that the needs of students and employers are not always the top priority for some training providers... Basing training course offerings on what funding is available has led to a distinct disconnect between the types of courses being offered by RTOs and the types of skills in demand by employers.³⁰

2.57 The submission from the Australian Council of Trade Unions (ACTU) noted that one of the shortcomings of the expansion of government funding to private providers is that there was no corresponding focus on ensuring that the courses attracting such funding options represented value for money in terms of public expenditure:

Evidence [has been reported] of courses and qualifications that attract VET FEE-HELP funding but which appear to be of doubtful value for the overall economy and which are not linked to any assessment of current and future

28 *Committee Hansard*, 16 July 2015, p. 15.

29 Consumer Action Law Centre, *Submission 13*, pp. 6-7.

30 Australian Chamber of Commerce and Industry, *Submission 36*, p. 6.

skill priorities and job opportunities. This includes courses in hypnotherapy, aromatherapy and Christian proselytising.³¹

2.58 Service Skills Australia noted that:

A common and significant concern has been the practice of 'rogue' providers opportunistically 'chasing funds'. Therefore, when subsidies were reduced in some areas, providers would quickly redirect into new, better-funded areas, which industry reported were often providers with minimal connectedness or expertise in these fields.³²

2.59 As businesses, private providers are primarily motivated by their own profitability. Correspondingly, provision of VET courses by for-profit providers is likely to be driven at the provider level by the desire to maximise margins by minimising the costs inherent to offering courses.

2.60 Thus, when considering which courses to offer, private providers may look to courses which can be run in a cost-efficient manner, qualifying students in courses which may not necessarily correspond to identified skills shortages or industry needs.

2.61 In her evidence to the committee, Ms Sue Boyd, Head of the Guild Pharmacy Academy, argued that one of the principal negative effects of the growth of contestability in the VET sector has been the development of an environment where 'providers, rather than industry, drove the training agenda'.³³

2.62 Examples of courses driven more by cost efficiency and profitability criteria than industry need include management and business courses, as noted by the Consumer Action Law Centre:

'Management and Commerce' was the most common field of education undertaken by students accessing VET FEE-HELP loans in 2013, representing 44 per cent of total course enrolments. One example of a provider specialising in these kinds of low cost courses is the Australian College of Training and Employment (trading as Evocca College), the largest single recipient of VET FEE-HELP loans. The Workplace Research Centre reported that Evocca's website indicates it solely caters for diploma studies in business, information technology and media, community services, and tourism.³⁴

2.63 In discussing the business strategies of private for-profit providers, the Workplace Research Centre noted:

As a business model, for-profit training provision is currently supported by strong demand-side factors, driven by the continued rollout of VET entitlement funding and extension of VET FEE-HELP, and underpinned by

31 Australian Council of Trade Unions, *Submission 38*, p. 17.

32 Service Skills Australia, *Submission 27*, p. 3.

33 *Committee Hansard*, 2 September 2015, p. 33.

34 Consumer Action Law Centre, *Submission 13*, p. 7.

educational policy targeting higher levels of skills and qualifications, and increasing credentialism across the labour market. [...]

The profit maximisation principles of these providers (and the primacy of shareholder and owner interests) provide strong incentives to offer training which attracts the highest subsidy, at the lowest cost.

These low cost strategies may include delivering training online, within abbreviated time periods (as there is no minimum duration requirement for a given course of study), as well as by minimising the cost of teaching staff, the rent attached to physical campuses, and the investment in equipment needed for certain courses.³⁵

2.64 The data suggests an incredible growth in costs in both the state government subsidised market and the full fee paying market. According to the Department of Education and Training's VET FEE-HELP Statistical Report 2013, the take-up rate of VET FEE-HELP loans for state subsidised enrolments increased by 18 points in one year from 56.8 percent of students studying a state subsidised course in 2012 to 74.3 percent in 2013, suggesting that cost shifting from the states to the Commonwealth is occurring.³⁶

2.65 In 2013 the Commonwealth provided VET FEE-HELP loans to 93.3 percent of student in eligible courses, including 95.8 percent of students in full fee paying eligible courses.³⁷

2.66 The behaviour of private providers – especially for profit private providers is altering as a result. Australian Careers Network – to cite just one example – has flagged to investors that VET FEE-HELP is a growth opportunity".³⁸

2.67 Government funded vocational education is seen as a significant opportunity for profit. According to the Workplace Research Centre at the University of Sydney,

Based on the results of the publicly-listed for profit providers, the for-profit VET sector appears to sustain profit margins of around 30 percent. This indicates that every dollar of public subsidy paid results in 30 cents of profit for distribution to the company's shareholders. It is estimated that in Victoria in 2013, about \$277 million in profits was generated across the for-profit VET sector, based on over \$799 million worth of training subsidies. Just three companies are estimated to have extracted at least \$18.3 million in profits from Victorian taxpayers in 2013. This rate of return well exceeds

35 Workplace Research Centre, commissioned by Australian Education Union, *Submission 62*, appendix p. 26.

36 Department of Education and Training, *VET FEE-HELP loan Tables – 2013*, Table 4: VET FEE-HELP loans by fee type, 2010 to 2013.

37 Department of Education and Training, *VET FEE-HELP loan Tables – 2013*, Table 4: VET FEE-HELP loans by fee type, 2010 to 2013.

38 Australian Careers Network, FY15 Results Presentation: Investor Roadshow, September 2015, p. 11, <http://www.asx.com.au/asxpdf/20150915/pdf/431b54yd4d7tpg.pdf>, accessed 7 October 2015.

benchmark norms set by comparable industries, such as child care and transport.

2.68 As will be discussed in later chapters, the impacts on quality are hard to quantify. The Workplace Research Centre suggests that ownership structures of large for profit RTOs are oblique, with unclear lines of accountability, and a prevalence of third party sub-contracting of the delivery of training which has to date fallen outside the jurisdiction of the national regulator – ASQA.³⁹

2.69 The committee notes concerns have been raised that private VET providers base course offerings on profitability rather than identified needs and that this suggests the for-profit sector may undermine one of the key elements of VET provision, which is preparing students for employment.

2.70 The committee is of the view that VET FEE-HELP, while well intentioned, has distorted and damaged the private training market, with the lure of government funded student loans being too great for private for profit companies to ignore. There is a strong case to continue to restrict and consolidate approved providers.

Costs for students are out of control under VET FEE-HELP

2.71 An issue raised during this inquiry is that costs of courses have increased steadily as a consequence of the extension of the Commonwealth's loan scheme to VET courses. This has substantially increased the size of the debt students may be obliged to incur in order to attain the qualifications they need.

2.72 This can be explained primarily because the introduction and expansion of access to VET FEE-HELP substantially raised the amount of money students were able to spend on their chosen course: access to a loan scheme enabled students to pay more, which in turn allows providers to charge more with the knowledge that the Commonwealth Government is ultimately responsible for the loan paying for the course.

2.73 The College for Adult Learning argues that this was not the immediate effect, as greater contestability originally had the result it was intended to have, which was to lower the cost of training:

Initially, the implementation of contested funding and a user pays market had a significant effect on the price of a Diploma – it dropped dramatically. While this has ultimately had an adverse effect on TAFE presumably private providers were surviving and thriving. After all, with online training especially, they had low operating costs with lean management structures. Yet, with the growth in VET FEE-HELP the price of a Diploma has skyrocketed to \$18,000 in some cases. Sure, the cost of administering the strict reporting requirements of VET FEE-HELP would add some

39 Workplace Research Centre, appendix to Australian Education Union, *Submission 62*, appendix p. 28.

additional costs to the price but, it is hard to justify a price increase 2, 3 or even 4 times the original advertised price.⁴⁰

2.74 The Australian Council of Trade Unions (ACTU) made a similar point in their submission:

Invariably, [income-contingent loans] also result in course fees being increased. This was evident from the early experience in Victoria where VET-Fee Help was first introduced. Standard fees for diplomas tripled to \$2500 when loans were introduced there in mid-2009, while government-subsidised diplomas in other jurisdictions were less than half that amount in most cases (\$990 a year in Tasmania, \$1212 in Western Australia, \$1350 in the ACT and \$1570 in NSW).⁴¹

2.75 The trend of rising costs for VET FEE-HELP eligible courses was also noted by the Consumer Action Law Centre, who provided the following illustration:

Given that private VET providers with access to VET FEE-HELP and government funding have near-guaranteed income, we consider that many private VET courses (particularly online courses) are excessively expensive. For example, the Double Diploma of Business & Management from Careers Australia costs \$23,250 in most Australian states. The Double Diploma of Business & Management course at TAFE Queensland South West costs just \$6,800.⁴²

2.76 Asked about this price discrepancy and whether it was a consequence of the VET FEE-HELP loans scheme, Mr Patrick McKendry, CEO of Careers Australia, responded that:

The government loans scheme is the mechanism by which the cost of the tuition fees becomes affordable and accessible. That is no question. I suspect that the reason there is a price difference between the public and the private provider in that circumstance again goes to the public provider's ability to offset some of the costs of operating a business, whether it is operating expenditure or capital expenditure. Our approach is simple: to factor in all the inputs and to operate on a reasonable return. It does not always work that way—for example, in trades apprentices we do not get anywhere near the 20 per cent margin [Careers Australia aims for]. In nursing we do not get near the 20 per cent margin. Our pricing in those areas again takes a range of factors into account, including what the market is charging.⁴³

2.77 Course costs are not just increasing over time as a consequence of VET FEE-HELP. As noted in the submission from the University of Melbourne Graduate School of Education, they are also increased compared to courses paid for in ways other than via VET FEE-HELP loans:

40 The College for Adult Learning, *Submission 32*, p. 3.

41 Australian Council of Trade Unions, *Submission 38*, p. 15.

42 Consumer Action Law Centre, *Submission 13*, p. 7.

43 *Committee Hansard*, 2 September 2015, p. 16.

The average fees paid by students accessing VET FEE-HELP are higher than average fees paid by students who were eligible but did not access the income contingent loan.⁴⁴

2.78 Data on average loan debts at some major VET private providers shows the degree of course cost inflation: in response to questions during Budget Estimates in June 2015, the Department of Education and Training reported to the committee that the average VET FEE-HELP loan debt in 2012 was \$8607. In 2013, it was \$10,621 – an increase in average VET FEE-HELP loans of 23 per cent from 2012 to 2013.⁴⁵

2.79 Like the ACTU, the Melbourne Graduate School of Education noted that course costs vary dramatically across the states.⁴⁶

2.80 Another point raised regarding students paying for their course via VET FEE-HELP was that completion rates for students paying for their course up front are higher than those for students who are doing so through VET FEE-HELP. This was noted to be particularly true for Aboriginal and Torres Strait Islander (ATSI) students, students aged 25-44 and students outside major cities.⁴⁷

2.81 This evidence suggests that the current loans system enables students to incur large debts, possibly in courses with minimal employment benefits, while correlating with a decreased likelihood of course completion. It also raises questions about the extent to which VET FEE-HELP is fit for purpose and whether it can further disadvantage students from disadvantaged backgrounds.

2.82 Completion rates will be more fully discussed in chapter 4 of this report, but the National Centre for Vocational Education Research's (NCVER) data demonstrates that completion rates across all levels of program total 34 per cent:

	2009	2010	2011	2012	2013
Diploma and above	37.9	42.8	43.8	44.7	42.2
Certificate IV	38.9	41.3	41.8	44.4	40.9
Certificate III	37.8	39.2	41.2	40.3	38.0
Certificate II	22.3	24.6	26.8	25.9	26.1

44 University of Melbourne Graduate School of Education, *Submission 47*, p. 6.

45 Senate Committee: Education and Employment, Budget Estimates 2015-2016, June 2015: Question on Notice SQ15-000361.

46 University of Melbourne Graduate School of Education, *Submission 47*, p. 6.

47 University of Melbourne Graduate School of Education, *Submission 47*, p. 6.

Certificate I	20.9	17.6	18.2	20.1	19.9
Total	32.1	33.8	35.7	36.0	34.0

National Centre for Vocational Education Research, *The likelihood of completing a government-funded VET program, 2009-13*, Table 3.

2.83 The opportunities for profitability for private VET providers also encourage the predatory marketing practices seen in the sector, as will be discussed in Chapter 3.

Are we getting what we are paying for? The consequences of contestability and VET FEE-HELP on the Commonwealth budget

2.84 In the 2014-15 financial year, the Commonwealth Government allocated \$3.2 billion directly to VET provision, made up of \$1.81 billion for states and territories and \$1.4 billion through the Commonwealth's own programmes.⁴⁸

2.85 The combination of contestability and student access to VET FEE-HELP has encouraged the market to maximise profits, as discussed above. Yet, as the AEU points out, the consequence is massively increased government spending in the area:

There has been a huge increase in low-cost, high volume courses. This is because the market settings that governments have put in place are designed to encourage the growth of private providers in the sector in order to stimulate competition, based on the logic that this will simultaneously drive down costs and drive up quality. Low-cost, high volume courses are the ones that make most profit – but they also lead rapidly and inevitably to cost blow-outs, as the experience of Victoria and South Australia has shown.⁴⁹

2.86 A consequence is that, while some students are given the opportunity to undertake courses they could not otherwise afford, VET providers can consider student enrolments as risk-free:

Training providers sign up students with the fees covered by VET FEE-HELP. The risk of the loans never being repaid is borne by the Australian Government not the training provider. Less reputable operators have an incentive to sign up students irrespective of their capacity to complete the course or the appropriateness of the qualification.⁵⁰

2.87 Mr Andrew Norton, Higher Education Program Director at the Grattan Institute, submitted that vocational education qualification holders are less likely to

48 Department of Education and Training, *Submission 48*, p. 3

49 Australian Education Union, *Submission 62*, p. 12.

50 The University of Melbourne Graduate School of Education, *Submission 47*, p. 5.

repay VET FEE-HELP debt than higher education qualification holders because of their lower earnings profiles, and estimated that :

40 per cent of VET HELP money lent to people with diploma and advanced diploma qualifications will not be recovered, compared to 21 per cent of HELP lent to people holding bachelor degrees.⁵¹

2.88 Mr Norton detailed gender and field of education that contribute to the non-payment of VET FEE-HELP debt, and suggested that ‘the high rate of non-completion in vocational education and among VET FEE-HELP borrowers may exacerbate doubtful debt problems’.⁵²

2.89 As Mr Norton pointed out, students not repaying their VET FEE-HELP loan – for any reason – places substantial financial burden on the Commonwealth:

HELP is an expensive program. Aside from administrative expenses, the main costs are interest subsidies and debt not expected to be repaid, commonly known as doubtful debt... The Department of Education has provided projections on doubtful debt costs. These are forecast to escalate significantly, reaching \$2.3 billion in 2017-18.⁵³

2.90 While this figure encapsulates all HELP debt, not just VET FEE-HELP, Mr Norton notes that:

It is likely that VET FEE-HELP is contributing disproportionately to HELP doubtful debt. This is because vocational education diploma and advanced diploma students on average will earn less over their careers than higher education students.⁵⁴

2.91 The rate of doubtful debt borne by the Commonwealth is further influenced by two factors identified by the Melbourne Graduate School of Education: that average fees have risen in recent years – increasing the size of VET FEE-HELP loans and therefore debt – and that completion rates for students accessing VET FEE-HELP loans for their courses are lower than for students who pay upfront.⁵⁵

2.92 Evocca College argues that, while VET FEE-HELP has brought equity to the education system by extending to vocational students the types of loans previously confined to university-based students, the high threshold for compulsory repayments of the loan can have negative effects:

Accordingly, many students do not have 'skin in the game' and can take the attitude that they will never have to repay their debt. Accordingly, they may not take their studies as seriously as they otherwise would.⁵⁶

51 Andrew Norton, *Submission 11*, p. 1.

52 Andrew Norton, *Submission 11*, p. 1.

53 Andrew Norton, *Submission 11*, p. 3.

54 Andrew Norton, *Submission 11*, p. 5.

55 The University of Melbourne Graduate School of Education, *Submission 47*, p. 6.

56 Evocca College, *Submission 20*, p. 11.

2.93 Mr Norton suggests that, for the Commonwealth:

A lower threshold for vocational education students would reduce the cost of doubtful debt. The threshold proposed in the Higher Education and Research Reform Bill 2014 would reduce doubtful debt from 40 per cent to 30 per cent... this savings measure should be reintroduced in the interests of HELP's long-term cost effectiveness.⁵⁷

2.94 The committee is deeply concerned about the escalating cost to the Commonwealth of the VET FEE-HELP scheme, and the consequences for the Commonwealth budget.

2.95 Given the numerous concerns expressed to the committee and in the national media about the quality and relevance of the education and training students accessing the scheme are receiving there are grounds to conclude that much of this additional investment in vocational education that VET FEE-HELP represents is currently being wasted, or milked for profit. This is a tragedy not just for the Australian taxpayer, but for individual students, many of whom are left without a qualification – or worse a useless qualification – and a debt to the Commonwealth.

2.96 The committee is not convinced by arguments that policy reform that asks students at below or near the minimum wage to pay back loans is fair or efficient. Serious attempts must first be made to ensure that VET FEE HELP operates as a distinct scheme, fit for purpose, and that those who sign a student up to a course – be they a provider or a third party broker – are held responsible not just for marketing behaviour but outcomes for the student, industry and the Commonwealth.

2.97 The Mitchell Institute for Health and Education Policy (the Mitchell Institute) at Victoria University is an independent think tank with a focus on improving the connection between evidence and policy reform. In 2014, it published a policy paper (the paper) examining Australia's expenditure on education and training over the last decade.

2.98 The paper indicated that a disjointed approach to funding of education and training existed across Australia, and suggested that this was counterproductive to the notion that investment in people, their skills and their ideas, is fundamental to competing and prospering in a global economy.

2.99 More recently, the Mitchell Institute labelled the approach to funding settings across education in Australia, as 'piecemeal':

Australian governments are prioritising their investment in some aspects of education over others - with schools and universities the beneficiaries and VET in real decline. Further, this is occurring in the absence of an explicit, or even apparent, policy logic or rationale.⁵⁸

57 Andrew Norton, *Submission 11*, p. 12.

58 Mitchell Institute, *Expenditure on education and training in Australia: Update and analysis*, Mitchell Policy Paper No. 08/2015, August 2015, p. 1, <http://www.mitchellinstitute.org.au/reports/expenditure-on-education-and-training-in-australia-update-and-analysis/>, accessed 7 October 2015.

2.100 Clearly, this approach has the potential for serious and long term consequences to areas of education that fail to attract policy attention or funding. The Mitchell Institute noted specifically:

In Australia we tend to foster expertise in schools, VET and higher education respectively, with these divides often reflected in the portfolio arrangements of governments. Analysis confined to one sector is the norm, with broader thinking the exception

Of course, this disjointed approach is encouraged by the division of responsibilities under our federal system. As recent experience and attempts at reform have highlighted, a tricky web of historical precedent, national objectives and broader Commonwealth/State relations can combine to thwart or distort attempts at policy development.⁵⁹

2.101 The paper outlined a summary of key findings which are useful in comparing with the 2015 results:

- Comparative analysis of expenditure on education across the three sectors shows a clear trend – while spending on schools and universities has risen significantly over the last decade, there has been a much lower rate of growth in VET spending;
- Total expenditure grew only 15 per cent for VET over the ten years to 2012-13, while schools and higher education experienced growth of 23 and 40 per cent respectively over the same period;
- Expenditure on VET amongst the states and territories is uneven. In Victoria, expenditure on VET grew at an average of 4.2 per cent per year over the ten years to 2012-13, whereas New South Wales and Queensland averaged zero and negative growth over the same period; and
- Analysis of expenditure per student also saw VET falling short. In higher education, expenditure per student has been relatively stable, while spending per student in government secondary and primary schools has increased 20 per cent 30 per cent respectively. Meanwhile expenditure per hour of training in VET actually decreased around 25 per cent over the same period.⁶⁰

2.102 In light of these findings, the issue was revisited. In doing so, it was observed that there has been a 'national disinvestment in VET' that, rather than improving over

59 Mitchell Institute, *Expenditure on education and training in Australia: Analysis and background paper*, Mitchell Policy Paper No. 03/2014, October 2014, p. 1, <http://www.mitchellinstitute.org.au/reports/expenditure-on-education-and-training-in-australia/>, accessed 7 October 2015.

60 Mitchell Institute, *Expenditure on education and training in Australia: Analysis and background paper*, Mitchell Policy Paper No. 03/2014, October 2014, p. 1, <http://www.mitchellinstitute.org.au/reports/expenditure-on-education-and-training-in-australia/>, accessed 7 October 2015.

time, has 'intensified' with expenditure on the sector dropping in the year between the two reports.⁶¹

2.103 In contrast to the earlier report, the Mitchell Institute's 2015 paper focussed specifically on income contingent loans and private contributions to non-government schools, with analysis indicating:

- Government payments to tertiary education and training providers for income contingent loans have grown rapidly, rising from \$3.3 billion in 2008 to nearly \$6 billion in 2013; and
- Growth in private contributions to school education, with non-government school income from private sources increasing by over 20 per cent from 2005 to 2011, to \$7.9 billion.⁶²

2.104 To summarise, the 2015 paper found that while expenditure on higher education has grown over 40 per cent over the eleven years to 2013-14, and expenditure on schooling has grown approximately 25 percent during the same period, expenditure on VET has grown much more slowly, by around 15 per cent until 2012-13. Alarming, the 2015 paper found that in the most recent year, expenditure has experienced a sharp decline, with total VET expenditure in 2013-14 around 5 per cent higher than 2003-4 levels.⁶³

2.105 The committee notes the Mitchell Institute's conclusion that 'education funding in Australia needs to be coherent and integrated, rather than the current ad hoc and piecemeal approach'. Further, the committee is of the view that such an approach is more likely lead to expenditure in the areas that will better prepare the Australian labour market for the future.

2.106 The demand driven nature of funding for providers – both in the state and Commonwealth jurisdictions – has come under question. During a public hearing, Mr Rod Camm, CEO of the Australian Council for Private Education and Training was asked whether he agreed with the assertion made by the review that a demand-driven VET system is vulnerable to a range of market failures and equity issues. He responded:

61 Mitchell Institute, *Expenditure on education and training in Australia: Update and analysis*, Mitchell Policy Paper No. 08/2015, August 2015, p. 1, <http://www.mitchellinstitute.org.au/reports/expenditure-on-education-and-training-in-australia-update-and-analysis/>, accessed 7 October 2015.

62 Mitchell Institute, *Expenditure on education and training in Australia: Update and analysis*, Mitchell Policy Paper No. 08/2015, August 2015, p. 1, <http://www.mitchellinstitute.org.au/reports/expenditure-on-education-and-training-in-australia-update-and-analysis/>, accessed 7 October 2015.

63 Mitchell Institute, *Expenditure on education and training in Australia: Update and analysis*, Mitchell Policy Paper No. 08/2015, August 2015, p. 2, <http://www.mitchellinstitute.org.au/reports/expenditure-on-education-and-training-in-australia-update-and-analysis/>, accessed 7 October 2015.

If it is not designed. It is all about how you design the marketplace. You cannot just put money out there and hope for the outcome. It comes back to your original questioning. We want state governments to make sure that they design the market and make sure they monitor the market, and if a provider grows incredibly quickly, then bring them to the table and look at it closely.⁶⁴

2.107 The committee is of the view that VET FEE HELP differs from other Commonwealth income contingent loan programs in two respects. Firstly, that the control on the number of providers has been unacceptably loose and secondly that there is no effective price control. In the absence of both of these the committee is of the view that the current policy settings of VET FEE-HELP pose an unacceptable risk to the Commonwealth.

2.108 The nature of this type of demand driven program, which in theory should be driven by student and industry demand (end users), has in practice been driven by supplier behaviour. This is, in the committee's view, a major flaw in the policy design of VET FEE HELP.

Recommendation 1

2.109 The committee recommends that, given the evidence of rampant abuse, accelerating costs, and doubling of bad debt the government launches an immediate review into the operation and regulation of VET FEE-HELP.

Recommendation 2

2.110 The Committee recommends that this review considers the most effective way to control costs of courses for students under VET FEE-HELP by either instituting a lower and separate loan limit or a cap on student loan amounts.

Recommendation 3

2.111 The Committee further recommends that this review considers the most effective way to limit provider access to VET FEE-HELP so that only providers with the highest reputation for quality have unfettered access to the scheme. The Committee recommends that the government mandates minimum entry standards of year 12 completion or equivalent for access to VET FEE-HELP loans for Diploma level courses and above.

Recommendation 4

2.112 The Committee opposes suggestions to lower the repayment threshold to \$30,000 or \$40,000. Asking lower income earners to pay for the failure of government to properly regulate the operations of VET FEE-HELP – and for the rampant and unethical misbehaviour of some private providers – fails both the practical and ethical test.

64 *Committee Hansard*, 16 July 2015, p. 11.

CHAPTER 3

Private Vocational Education: Business models, marketing practices and unethical practices

Unscrupulous marketing techniques employed by private providers

3.1 Few issues in the VET sector attracted as much community concern as the conduct of providers marketing their courses to potential students. The committee received a swathe of evidence from students, staff and advocates that high pressure sales pitches aimed at securing students involved practices such as promises of equipment, downplaying the level of debt the students would incur and providing deceptive impressions of the qualifications to be earned or employment opportunities which would follow. These will be discussed more fully in this chapter.

3.2 Concern about marketing and advertising practice of private RTOs in Australia's VET sector is entrenched. In 2013, ASQA undertook a review of the marketing and advertising practices of RTOs in Australia's VET sector, prompted by what they described as:

serious and persistent concerns raised within the training sector about registered training organisations and other bodies providing misleading information in the marketing and advertising of training services.¹

3.3 This review found that 45.4% of RTOs investigated could be demonstrated to have breached the national RTO standards and/or consumer and fair trading legislation, ranging from:

relatively minor concerns that can and should be rectified quickly and easily, to more serious breaches that could involve major sanctions being applied, including a loss of the RTO's registration.²

3.4 Specific breaches of the standards found in ASQA's review of marketing practices amongst RTOs examined in this review included:

- 53.9% marketed qualifications in 'unrealistically short time frames or time frames that fell short of the volume of learning requirements of the Australian Qualifications Framework';

1 Australian Skills Quality Authority, *Marketing and advertising practices of Australia's registered training organisations*, Report, September 2013, p. i, http://www.asqa.gov.au/verve/resources/Strategic_Reviews_2013_Marketing_and_Advertising_Report.pdf.

2 Australian Skills Quality Authority, *Marketing and advertising practices of Australia's registered training organisations*, Report, September 2013, p. viii, http://www.asqa.gov.au/verve/resources/Strategic_Reviews_2013_Marketing_and_Advertising_Report.pdf.

- 32.3% had websites which enabled the collection of tuition fees in advance; half of a sample of these websites allowed RTOs to collect fees in excess of the amount allowed by the national standards and 60% did not mention the RTO's refund policy;
- 11.8% advertised superseded qualifications; and
- 8.6% engaged in 'potentially misleading or deceptive advertising such as guaranteeing a qualification from undertaking their training irrespective of the outcomes of assessment and guaranteeing a job outcome from undertaking training even though an RTO is in no position to ensure someone will get a job as a result of their training'.³

3.5 Notwithstanding reforms introduced since the commencement of this inquiry, marketing practices in the private VET sector remains a key issue for students, staff and advocates.

3.6 Throughout the inquiry, the committee received evidence about specific strategies commonly used by private RTOs in marketing courses to potential students, including:

- Marketing of courses as 'free' or 'government-funded';
- Promises of free equipment; and
- High-pressure marketing techniques and targeting of disadvantaged people.

3.7 In addition to these, the committee received evidence about practices such as door-to-door sales, and is aware of practices such as television advertising and cold-calling. The committee also notes the practice of promising a certain income or qualifications. Each will be outlined in this chapter.

3.8 The committee has first considered why this has emerged. Much of this has to do with the emergence of demand driven student loan schemes like VET FEE-HELP which have been misused mercilessly by some players in the industry. The design, and flaws in VET FEE-HELP were covered in chapter 2.

Unsustainable and unscrupulous? The private vocational education business model

3.9 The introduction of entitlement demand driven funding programs has created an unprecedented environment in the vocational education sector.

3.10 As noted in chapter 2, the poor design of state based contestable funding regimes and the VET FEE-HELP program has led to a situation where students and taxpayers are the victims of a provider-led feeding frenzy.

3.11 Public providers, not for profit providers, and small, quality for profit providers have lost market share. For profit providers have – in order to maintain

3 Australian Skills Quality Authority, *Marketing and advertising practices of Australia's registered training organisations*, Report, September 2013, p. viii, http://www.asqa.gov.au/verve/resources/Strategic_Reviews_2013_Marketing_and_Advertising_Report.pdf.

profitability and market share against rivals –pursued opportunities in government funded markets where volume of enrolments, rather than quality or outcomes has become the determinant for funding, revenue and profitability.

3.12 A number of media reports in recent times have described the business model that has arisen through allowing more open access by private providers to Commonwealth and state government programs. At the Commonwealth level these have been VET FEE-HELP and the Tools for Trade programs.

3.13 In September 2015, *The Age* and *Sydney Morning Herald* published articles outlining the business model in the vocational education industry.

3.14 Chapter 5 will deal with issues of regulation, but reports that only 6 or 7 percent of applications to become a RTO have been rejected by ASQA raises the question of whether the bar has been set too low.⁴

3.15 VET FEE-HELP has seen the evolution of a business model that is described as such by Michael Bachelard, writing in *The Age*:

The industry, by design, is "demand driven". But it's colleges, not students, driving the demand. They employ an army of salesmen (known euphemistically as "brokers") who earn millions in profits from taxpayer subsidies.

The dodgy brokers, such as some of those working for Melbourne's Phoenix Institute, specifically target people living in public housing, the intellectually disabled, the drug addicted and non-English speakers.

They offer a free laptop as an incentive to get the signature of a new "student", then fill out the literacy and numeracy test themselves (or coach the client through it).⁵

4 'Abuse of VET fee-help scheme shows regulation has its place in education sector', *The Age*, 19 March 2015, <http://www.theage.com.au/comment/abuse-of-vet-feehelp-scheme-shows-regulation-has-its-place-in-education-sector-20150319-1m2qzv.html>, accessed 7 October 2015.

5 'Vocational education: how the shonks and shysters took control', *The Sydney Morning Herald*, 26 September 2015, <http://www.smh.com.au/national/vocational-education-how-the-shonks-and-shysters-took-control-20150924-gjujt5.html>, accessed 7 October 2015.

How it works

The dodgy side of vocational education

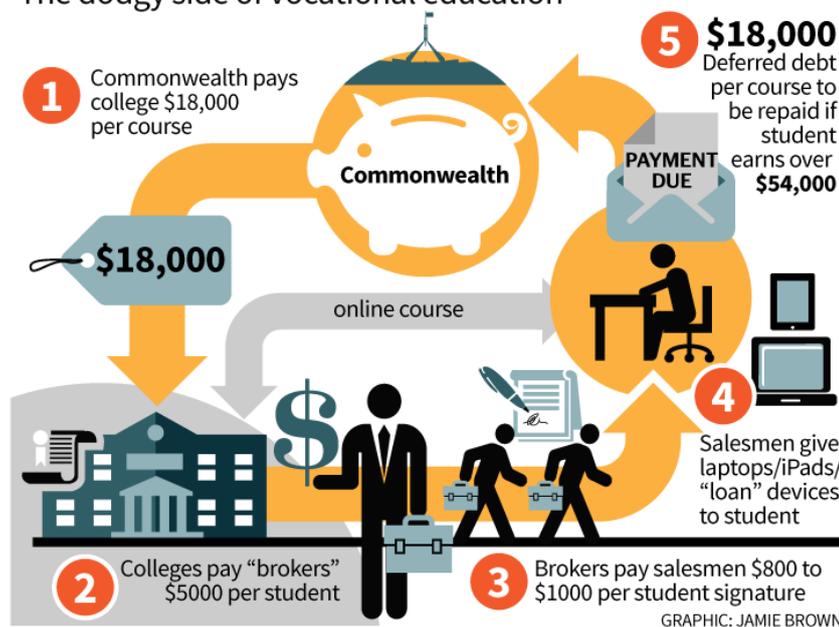


Image from 'Vocational education, the biggest get-rich quick scheme in Australia', *The Sydney Morning Herald*, 16 September 2015, <http://www.smh.com.au/national/vocational-education-the-biggest-getrich-quick-scheme-in-australia-20150916-gjqw.html>, accessed 7 October 2015 and reproduced with the kind permission of Fairfax Media.

3.16 The picture painted is one of problems at the margin of the private vocational education sector. According to Mr Rod Camm, from ACPET,

I certainly believe that there are quality issues, but they are at the margins of the industry. If you look at numbers of providers, the majority are delivering a quality product and are doing the right thing. But that is not to say that there have been no problems. It is on the public record that there have been major problems.⁶

3.17 Media reports, which highlight the activities of brokers who almost exclusively come from multicultural backgrounds, serve to reinforce the impression of problems that exist at only at the margins of the industry.

3.18 But such has been the scale of change in the private vocational education industry in recent years, can it be accurately said that the companies that benefit from an exploitative business model are now a small part of the industry?

Growth, change and the rise and fall of education stocks

3.19 One major feature in the private vocational education sector has been the scale of growth and change in recent years. According to the submission by the Australian Education Union:

6 *Committee Hansard*, 16 July 2015, p. 11.

The remarkable expansion of the VET “market” has taken place very quickly. Between 2008 and 2013, expenditure on payments to non-TAFE (private) providers increased by \$839.4 million, or 160 percent.⁷

3.20 At the Melbourne hearings on 2 September, Ms Pat Forward, Federal TAFE Secretary and Deputy Federal Secretary of the AEU, advised the committee of updated figures showing the scale of change in the sector:

So the market share, if you like, of TAFE nationally in 2014 was 52 per cent down from 75 per cent in 2007. Private provider share of government funded students has increased to 40 per cent up from 15 per cent in 2007. This basically means that TAFE is perilously close now to falling below 50 per cent of share nationally, but it also highlights the rapid shift in the market and the unprecedented rates of growth in the private sector. Private market share has increased by 159 per cent since 2007 and by 248 per cent since 2003...

In three states in Australia TAFE market share has dropped below 50 per cent and in two of those states TAFE is now a minority provider.⁸

3.21 This is in spite of declined spending on vocational education – both public and private - as a sector,

Vocational education continues to be the worst funded education sector with funding declining by 26 per cent since 2003. A recently released report by the Mitchell Institute confirms that VET is surely the poor cousin of education sectors with spending on schools and higher education far outstripping spending on vocational education and training according to the authors of *Expenditure on education and training in Australia*.⁹

3.22 Sector wide growth rates have been mirrored by individual companies. Mr Patrick McKendry revealed that his company, Careers Australia, had grown significantly in just four years - from 5,000 students in 2011 to 20,000 students in 2015:

Senator KIM CARR: That is an extraordinary growth rate. Tell me where else does that occur in the education system—a growth rate of what appears to be 400 per cent?

Mr McKendry: I am not sure it is something that is exclusive to Careers Australia, I just do not know what the growth rates of other organisations have been.¹⁰

3.23 These figures are extraordinarily similar to that of publicly listed company, Australian Careers Network. Its June 30 financial report boasted that its student

7 Australian Education Union, *Submission 62*, p. 23.

8 *Committee Hansard*, 2 September 2015, p. 1.

9 *Committee Hansard*, 2 September 2015, p. 1.

10 *Committee Hansard*, 2 September 2015, p. 15.

numbers had increased by 417 per cent from 4990 students in 2014 to 25,784 students in 2015, with an "average revenue yield per student" of \$3,303.¹¹

3.24 Figures for VET FEE-HELP payments show that the growth in payments for some private companies has been dramatic. Careers Australia has had payments increase from \$3.539 million in 2011 to \$108.172 million in 2014. Evocca College, trading as ACTE Pty Ltd grew from \$1.831 million in 2011, to \$24.958 million in 2012, to \$131.25m in 2014.¹²

3.25 The business model employed by these providers sees average fees charged to students – through VET FEE HELP – at extraordinarily high levels. For example, while in 2013 the average VET FEE-HELP loan was \$10,621,¹³ the average tuition fee at Careers Australia was reported to be \$18,276 in 2013. At Evocca College, it was \$16,878 in 2013.¹⁴

3.26 By comparison, a student studying at a public university is liable for a loan of between \$6,152 and \$10,266 in 2015.¹⁵

3.27 The committee heard evidence that some private providers are making high profit margins on students and the Commonwealth. The Workplace Relations Centre estimates that in 2013 Earnings Before Interest and Tax (EBIT) margins were between 21 percent (for Vocation Limited) and 51 percent (for Australia Careers Network).¹⁶

3.28 Mr McKendry of Careers Australia revealed that on average the profit margin of that company was 20 percent:

We generally operate and have operated on the basis of about a 20 per cent margin across our business. We do not get there all the time, but generally we believe that 20 per cent represents a fair profit that enables us to keep reinvesting in the business.¹⁷

3.29 These companies also have an extraordinary dependence on revenue from government sources. Mr McKendry of Careers Australia revealed the high dependence of his business on government revenue:

11 Australian Careers Network, *2015 Annual Report*, p. 17, <http://www.asx.com.au/asxpdf/20150928/pdf/431mhjr9kn719n.pdf>, accessed 7 October 2015.

12 Senate, 44th Parliament, Question on Notice 759, pp. 572-82.

13 Department of Education and Training, Budget Estimates 2015-2016, Question on Notice, SQ15-000361.

14 Department of Education and Training, Budget Estimates 2015-2016, Question on Notice, SQ15-000359.

15 StudyAssist, Student contribution amounts, Table 3, <http://studyassist.gov.au/sites/studyassist/helppayingmyfees/csps/pages/student-contribution-amounts> (accessed 7 October 2015).

16 Workplace Research Centre, commissioned by the Australian Education Union, *Submission 62*, appendix p. 4.

17 *Committee Hansard*, 2 September 2015, p. 15.

Senator KIM CARR: How much of your revenue actually comes from government sources?

Mr McKendry: It would have to be over 80 per cent. If I exclude fee-for-service and international student income across the five or six states and the federal government, it would be around 80 per cent.¹⁸

3.30 The annual report of Australian Careers Network also shows a high level of dependency on government funding:

A significant proportion of the Company's revenue is derived from Government funding sources, including grant or subsidy programs.¹⁹

3.31 The Workplace Research Centre has estimated that up to 95 per cent of revenue of the larger private providers may be dependent upon government sources.²⁰ This amounts to an extraordinary level of risk for investors to change in government and policy settings in education more generally, and vocational education more generally.

3.32 This has been demonstrated recently by two examples. One, the extraordinary decline in the value of Vocation Limited following well publicised regulatory issues in Victoria. Vocation's share price which was \$3 in early September 2014 fell to a low of 8c in September 2015.²¹

3.33 Another example of the damage that can be caused by exposure of poor behaviour relates to ASX listed company Australian Careers Network (ACN). In early September 2015 Fairfax media reported allegations of bad practices at Phoenix Institute, owned by Australian Careers Network. Following these reports ACN suffered a fall in its share price of 12 per cent.²²

3.34 Ashley Services has suffered a similar fate after the cessation of the Commonwealth Tools for Trade program following the 2014-2015 Budget. Ashley listed on the Australian Securities Exchange in August 2014, after an initial public offering priced at \$1.66 a share. Following the latest profit downgrade, the company's share price fell to 38c, and is subject to a class action lawsuit.²³

18 *Committee Hansard*, 2 September 2015, p. 16.

19 Australian Careers Network 2015 Annual Report, p. 30, <http://www.asx.com.au/asxpdf/20150928/pdf/431mhjr9kn719n.pdf>, accessed 7 October 2015.

20 Ms Pat Forward, *Committee Hansard*, 2 September 2015, p. 1

21 'Vocation executives raking it in, despite share price plunge', *The Australian*, 23 September 2015, <http://www.theaustralian.com.au/business/companies/vocation-executives-raking-it-in-despite-share-price-plunge/story-fn91v9q3-1227539351865>, accessed 8 October 2015.

22 'Australian Careers Network shares plunge 12pc', *Australian Financial Review*, 17 September 2015, <http://www.afr.com/news/policy/education/australian-careers-network-shares-plunge-12pc-20150917-gjorg3>, accessed 8 October 2015.

23 'Education: Ashley Services misses profit forecasts', *The Australian*, 6 October 2015, <http://www.theaustralian.com.au/business/profit-loss/education-ashley-services-misses-profit-forecasts/story-fn91vch7-1227558059147>, accessed 7 October 2015.

3.35 As will be discussed later in this chapter and in this report, the ownership structures of larger providers is opaque, the persons responsible for the businesses is unclear and subcontracting arrangements further clouds accountability.

3.36 It is hard to escape the conclusion that amongst larger private providers, and indeed in some brokers, extraordinary profits are being made at the expense of the taxpayer, and at the expense of students these providers claim to be assisting. Such activities have heavily damaged the reputation of the vocational education sector as a whole, and if left unchecked, could affect Australia's international education industry through reputational damage.

Misleading marketing of courses as 'free' or 'government-funded'

3.37 A number of submitters and witnesses raised concerns about the prominent marketing of courses which attract VET-FEE-HELP support as being 'free' or 'government-funded'.²⁴ Such language may serve to hide from students the fact that they are in reality signing up for large loans from the government, with the expectation that these loans will be repaid.

3.38 In addition, if students are unable to repay the loan because their income never crosses the repayment threshold, they may have a debt against them for the rest of their life. Once this consequence becomes clear to those unaware when they signed up for the loan, the knowledge of it may also result in a psychological burden on those already living with a limited income.

3.39 The Consumer Action Law Centre expressed concerns about this marketing practice, noting:

'study now pay later' slogans that fail to highlight the actual cost of study, and marketing VET FEE-HELP loans to students who are unlikely to be able to repay their loans. These sorts of slogans draw upon behavioural biases such as myopia and over-confidence, and are more likely to result in students enrolling in courses that are inappropriate to their needs.²⁵

3.40 Several witnesses noted that the nature of the loan is further obscured by the relative ease with which it can be applied for. For example, in its submission, the Canterbury Bankstown Migrant Interagency explained how easily students can obtain a VET FEE-HELP loan, without fully understanding the consequences of what they are doing:

The common denominator is that consumers do not understand what they are signing up for and are routinely unaware that they have in effect taken out a loan for tens of thousands of dollars. The process for obtaining consent and VET-FEE-HELP loans is in stark contrast to the stringent

24 TAFE Directors Australia, *Submission 12*, p. 2; Consumer Action Law Centre, *Submission 13*, p. 15.

25 Consumer Action Law Centre, *Submission 13*, p. 15.

framework of responsible lending obligations incumbent upon commercial creditors.

Clients have given us permission to see and keep record of their 'Request for VET FEE-HELP assistance' form. Name, date of the birth and Tax File Number are the only personal information that is required on the form; and this very simple form is the ONLY mechanism which a student has to go through to incur tens of thousands of dollars of VET FEE-HELP debt.²⁶

3.41 Similarly, ACPET, the national industry association for private VET providers, registered their concern over the lack of transparency for students applying for VET Fee-Help loans about the extent of that loan:

On examination of the request for VET FEE HELP assistance form, it was found that an applicant is not made aware of the VET tuition fees loan amount they will be committing to as part of the application process. ACPET recommends that such information should be made clear to the student to as part of the loan application process to help inform the decision to assume such a liability.²⁷

3.42 In other cases, students were explicitly encouraged by the RTO or broker to think of the loan required to undertake a course as one that they would never have to repay, as in the following case study presented by the TAFE Community Alliance:

An older woman in her early 70s was at the Bankstown Central shopping centre having lunch with her bible group when they were approached by a young man asking them if they would like a free laptop and a "free" Diploma in Community Services. He assured them that though they had to sign up for a government loan they would never have [to] repay it as they would need to [earn] over \$50,000 (and this was a group of pensioners) and they agreed they would never be earning that much. The whole group signed up and got their laptops.²⁸

3.43 Similarly, the Canterbury Bankstown Migrant Interagency reported:

In March 2014, a group of senior citizens from Bankstown (all from Culturally and Linguistically Diverse background and little English) were talked into enrolling in 'computer classes' with Unique International College in Granville and Aspire College in Parramatta. It turned out that there was no computer class and they were all enrolled in different diploma courses and filled out forms to take out VET FEE-HELP. They were each offered a free computer/ipad or \$1000 cash by taking out the loan. They were told there no need to come to class, but if they wish, they could come and free lunch will be offered. They alleged in Aspire College, they had a canteen that could accommodate a couple of hundred people and on the day it was packed with senior citizens enjoying their free lunch.²⁹

26 Canterbury Bankstown Migrant Interagency, *Submission 55*, p. 3.

27 Australian Council for Private Education and Training, *Submission 28*, p. 13.

28 TAFE Community Alliance, *Submission 31*, p. 8.

29 Canterbury Bankstown Migrant Interagency, *Submission 55*, p. 5.

3.44 Providers prominently advertising that their courses are eligible for VET FEE-HELP access for students is not, in and of itself, misleading. For many students, VET would not be a viable option if they were not able to access VET FEE-HELP. However, the ACTU notes that the option of paying late can lead to students paying more for private a private course:

It is clear the concept of 'train now, pay later' is central to attracting students – in some cases, to get them to sign up to courses five times as expensive as the equivalent TAFE course.³⁰

3.45 It was also argued that the process for students to keep track of their VET FEE-HELP debt was overly complicated and did not incorporate warnings that a debt was being accumulated. For example, in their evidence to the committee, the Redfern Legal Centre noted the pitfalls of such a system, particularly for those who do not regularly file tax returns.

3.46 In response to the committee's question about how students could obtain information about their debt, the Redfern Legal Centre stated:

They have to make inquiries with the tax office. That is really the only time that most of our clients will have any engagement with that sort of information.³¹

3.47 It was noted by the committee that a considerable proportion of the legal centre's clientele would not regularly be submitting a tax return. This being the case, the Redfern Legal Centre suggested that it could be 'some years before the full scope of the risk becomes clear'.³²

3.48 The evidence received by the committee regarding the ease with which some students are trapped into incurring VET FEE-HELP debts by the unscrupulous practices of some RTOs is a matter of deep concern and suggests that further strengthening of the regulations under which RTOs operate is a necessary step.

Inducement-based marketing

3.49 Although banned by the new Standards which came into effect in 2015, numerous submitters noted the use of inducement-based marketing amongst private VET providers.³³

3.50 Of particular concern was the practice of offering students 'free' iPads or laptops upon their enrolment. Notionally provided as a study aid,³⁴ these devices

30 Australian Council of Trade Unions, *Submission 38*, p. 17.

31 *Committee Hansard*, 16 July 2015, p. 25.

32 *Committee Hansard*, 16 July 2015, p. 25.

33 Redfern Legal Centre, *Submission 16*, p. 4; Canterbury Bankstown Migrant Interagency, *Submission 55*, p. 4; Australian Council for Private Education and Training, *Submission 28*, p. 13.

34 Evocca College, *Response to Submission 73*, p. 3.

featured heavily in some RTO's advertising, and would appear to have been the deciding factor for some students in choosing to enrol in a particular course or with a particular provider.

3.51 Mr Dwyer, solicitor for the Redfern Legal Centre, explained to the committee the problem caused by the use of iPads and other such inducements in private VET providers' marketing practices:

The particular issue of using a laptop or iPad as an inducement was a critical one because vulnerable people were being told, 'Here is a free laptop. All you have to do is sign on the dotted line.' They did not have any understanding of the true cost of that.³⁵

3.52 Ms Julie Skinner, a former tutor with Evocca College, expressed her concerns about seeing this technique in practice in the college's marketing, particularly as it focused on people for whom a 'free' computer or tablet would be a significant drawcard:

I found the approach taken to recruit and screen students inappropriate. Promotional stands were set up in shopping centres during business hours, with iPads being the main promotional tool to attract students. Disadvantaged, unemployed people appeared to be Evocca's main target audience.

I'm sure many people signed up because they were delighted to be getting a "free" iPad when in fact they didn't really understand they were signing up for a \$20,000 iPad/debt.³⁶

3.53 In discussing this issue, the Consumer Action Law Centre provided evidence that it is aware of this practice and suggesting that it is another marketing technique that helps to mask the fact that a VET FEE-HELP debt will be incurred by the student:

We are also aware of private VET providers offering incentives to consumers to study at their institution, for example offering 'free' laptops or iPads. These incentives tend to detract from the fact that consumers will incur significant VET FEE-HELP debts following the course census dates.³⁷

3.54 The committee recognises that a ban on RTOs offering these inducements was introduced in the 2015 Standards, but notes with concern the evidence received from the Consumer Action Law Centre which suggested that this practice has not been stamped out:

We hope these reforms will help to stamp out some of the most unscrupulous practices that have resulted in complaints to our centre. However, it is critical that these reforms are actively and publicly enforced by relevant regulators. We have received a number of complaints about potential breaches of the new laws including reports of door-to-door

35 *Committee Hansard*, 16 July 2015, p. 23.

36 Julie Skinner, *Submission 73*, p. 1.

37 Consumer Action Law Centre, *Submission 13*, p. 19.

salespeople offering free laptops and tablets. These complaints have been forwarded to the department.³⁸

3.55 While the new Standards explicitly forbid inducement-based marketing, the committee notes that their introduction has not had the effect of eliminating this behaviour by all RTOs. The committee therefore suggests that more rigorous enforcement and tighter regulations around RTO marketing practices are required.

High-pressure marketing techniques and targeting of disadvantaged students

3.56 The committee heard from several witnesses who highlighted the marketing techniques employed by some RTOs, or brokers on their behalf, which rely on high-pressure tactics, and which often are targeted at vulnerable customers, including those with English as a Second Language, Indigenous people, the unemployed and those on Centrelink payments.³⁹

3.57 The Redfern Legal Centre recounted their experience dealing with disadvantaged students, targeted outside Centrelink offices or via door-to-door selling in public housing blocks:

[W]e have a very vulnerable consumer base. They sometime find the only way to get a door-to-door salesperson out of the apartment is to agree to whatever is there. There are hard-sell techniques that encourage people to sign up. They are told it is free and will not cost them anything. There is also the instance of people being sold up for things like management courses when they have absolutely no hope of doing that, and being told they have to do more than they want to do. They want to do hairdressing and they are signed up to managing a hairdressing salon. So there is a range of reasons. We have seen it before in the maths tutoring programs and things like that that were sold through shopping centres—that kind of technique. People want to engage, they want to get trained, and they are signed up without any consideration of whether that person could actually ever do that particular course.⁴⁰

3.58 Similarly, the Consumer Action Law Centre expressed their concerns:

We are particularly concerned about VET providers and education brokers that appear to target vulnerable consumers. These consumers include Indigenous people, non-English speakers, unemployed people, and people reliant on Centrelink income. We are deeply concerned about aggressive marketing tactics that target consumers who do not have the aptitude or ability to complete VET courses. When offering courses, we have seen providers and brokers exaggerate the ongoing support available to students and reassure computer illiterate consumers that they will be able to easily complete a course online. We have received reports of education brokers in

38 *Committee Hansard*, 2 September 2015, p. 9.

39 Redfern Legal Centre, *Submission 16*, p. 18.

40 *Committee Hansard*, 16 July 2015, p. 20.

particular cold calling or door-knocking potential students and pushing them to enrol in unsuitable courses over the phone or on their doorstep.⁴¹

3.59 The Yarraville Community Centre, working with the Consumer Action Law Centre, presented evidence to the committee that these tactics had continued to be utilised by some RTOs even after the new Standards were brought into effect early in 2015:

One of our largest programs at the centre is English as an additional language and we have approximately 250 students studying at any one time across eight different venues across the city of Maribyrnong. We work with the most vulnerable and disadvantaged in our community.

In late April, one of our volunteers brought staff from the Health Arts College into the centre during the teabreak and enrolled seven of our students who were studying certificate I and II in English as an additional language, which is very low level, into a diploma of business. They were told to go to a particular chemist in Footscray and to take their passports, visa and tax file numbers for certification. In one case, a taxi was provided by the RTO to get there. The students were told the course was free. They were told they would get an iPad or an iPhone for undertaking the course. Additionally, they were told that if anyone asked them, to say they had enrolled in a diploma in March. They attended the first class on Sunday, May 3.

The following week's class was cancelled and then the next week they were all cold-called and advised they would have a debt. They were told they would need not to worry about it as they would not have to pay unless they earned more than \$55,000 annually. They all requested to withdraw from the course after attending one session.

The first time we were aware of this was when the students came to staff visibly upset and showed us a letter stating that they had a VET FEE-HELP debt of \$13,200. The students all rang to withdraw from the course between 12 and 18 May. They all received letters on 20 May outlining their debt and the census date was 14 April, two weeks before they were enrolled. We then called the community law action centre for advice to see if they were able to help to get those debts removed and, fortunately, they have taken on the case for these students. We have many more students who are being contacted by phone, text, doorknocking and sometimes they are being harassed multiple times to enrol in inappropriate higher diploma courses.⁴²

3.60 The committee is particularly concerned that the introduction of new Standards, designed in part to eliminate these unscrupulous tactics, has not prevented some RTOs from targeting some of the most disadvantaged people in the Australian community, as they were no doubt designed to do.

41 Consumer Action Law Centre, *Submission 13*, pp. 18-9.

42 *Committee Hansard*, 2 September 2015, p. 9.

3.61 Another section of the community targeted by unscrupulous providers is that of people with disabilities. Inclusion Australia, an advocacy group for people with intellectual disability, criticised the approach of those VET providers who:

prey on the vulnerability of youth with intellectual disability to gain access to government VET funding in return for little, if any, benefit to the student.⁴³

3.62 Inclusion Australia provided evidence about a specialist disability provider whose facilities had been targeted by such marketing practices:

We have spruikers for VET outside our building looking to pick up youth with significant intellectual disability and sign them up for very expensive and totally unachievable qualifications.⁴⁴

3.63 This targeting of young people with disabilities by unscrupulous providers causes numerous problems, according to Inclusion Australia:

Abuses of training programs including the offer of inducements to sign up for unnecessary or inappropriate training is rife at the moment — these waste taxpayers money, saddle people with disability with debt they will never repay, do not contribute to employment that leads to economic independence, and tarnishes the reputation of education, training and employment programs.⁴⁵

3.64 Women in Adult and Vocational Education (WAVE) also commented on this practice, noting the affect it can have on women:

some of the aggressive marketing practices currently adopted by private providers or their brokers, are targeted at women. For some women who have not had previous opportunities to study for a career, the enticement of a Diploma (and maybe the promise of a job) would appear very attractive, especially if they were led to believe it would cost them nothing and could be achieved over a matter of months. It is important that this type of marketing is stopped, given the negative impact it will have on many women.⁴⁶

3.65 Adult Learning Australia reported knowledge of private RTOs engaging in high-pressure, inducement-based or targeted marketing practices in order to increase enrolments:

Some of the behaviours reported by our members include:

Sales staff going door to door in public housing estates and spruiking outside Centrelink offices and in outer suburban shopping malls frequented by impoverished and socially marginalized people,

43 Inclusion Australia, *Submission 61*, p. 1.

44 Inclusion Australia, *Submission 61*, p. 2.

45 Inclusion Australia, *Submission 61*, p. 3.

46 Women in Adult and Vocational Education, *Submission 33*, p. 2.

Offering impoverished and socially marginalized people iPads, Coles Myer vouchers and other incentives for enrolment,

Offering cash bonuses to neighbourhood house staff or other community workers in poor neighbourhoods for each learner they encourage to enrol,

Enrolling early school leavers with low literacy and numeracy in high level courses with no literacy and numeracy support and limited or no face to face class time,

Enrolling early school leavers with low literacy and numeracy in multiple low quality courses.⁴⁷

3.66 While not focused on disadvantaged students, the Victorian Automobile Chamber of Commerce (VACC) reported that it was aware of private RTOs 'falsely stating to VACC members that a particular qualification must be undertaken for their trade due to legislative changes'.⁴⁸

3.67 A related practice which gained some media attention was the practice of some RTOs exploiting their links with job search websites to focus recruitment efforts on the unemployed:

We are particularly concerned about the use of students' personal information for direct marketing purposes. There have been reports in the media of education brokers mining personal information from job advertisements to identify job seekers and potential students. We have received reports of details being harvested through the broker's own "free" job advertisement website, without the job hunter's knowledge. It appears that clear and express consent to use personal information for direct marketing purposes is not always being obtained before contacting job seekers about courses. Job applicants are cold-called by course sales representatives and subjected to high pressure sales tactics.⁴⁹

3.68 Having received this wealth of evidence suggesting that high-pressure marketing techniques continue to be used to entice vulnerable sections of the community, the committee is of the view that it is appropriate to consider whether steps are required to enforce the Standards.

Misrepresentation of likely outcomes or qualifications received

3.69 Less prevalent a practice than those discussed so far, but worth noting, is the practice raised by some submitters of potential students receiving guarantees of employment after the completion of their course, for a specific, often unrealistic, salary range. Additionally, the practice of potential students being assured that their graduation from a particular course would result in the appropriate qualifications to find employment in their chosen field.

47 Adult Learning Australia, *Submission 35*, pp. 7-8.

48 Victorian Automobile Chamber of Commerce, *Submission 39*, p. 5.

49 Consumer Action Law Centre, *Submission 13*, p. 19.

3.70 For example, in its submission, Speech Pathology Australia provided evidence about this kind of marketing practice, noting that they were aware of providers who used this approach.

At least one provider who is advertising the Certificate IV in [Allied Health Assistant] course in a manner that implies that students will be studying 'speech pathology' without any explanation that upon graduate they will be competent to act as an AHA and will not be a 'speech pathologist'.⁵⁰

3.71 This practice was also raised by ASQA in its review of RTO marketing practices, noting that this type of advertising falls into the category of 'misleading or deceptive marketing and advertising'. Such advertising found by ASQA in their review of RTO websites included statements such as '100% pass rate and a guaranteed job'.⁵¹

3.72 It is concerning that students may be investing both time and money into courses with the expectation of a particular financial and perhaps professional return, which in reality they are unlikely to achieve. Such a practice may lead not only to disappointment for students, but also to financial hardship, both because of the debt incurred and because they may require more training to meet their professional goals.

The role of brokers

3.73 The committee heard evidence about the role of third party marketing and recruitment agents in recruiting students to the private VET sector, generally referred to as brokers. The role of brokers is to market various courses or providers to potential students, referring them to a provider. Brokers are generally paid on commission for those students who enrol in a course.

3.74 While some witnesses described brokers as an inevitable consequence of the competitive sector, there was considerable agreement about the need for greater transparency and regulation of brokers to ensure a higher standard of integrity in recruiting students to the private VET sector.

3.75 Mr Martin Powell, Victorian Executive Officer for ACPET, noted both sides of the issue:

It is a sales force. It is better reach. They are mobilised to get to parts of the market that providers have struggled with. In that sense, that is a positive, but of course there needs to be integrity around the information that potential students are provided with.⁵²

50 Speech Pathology Australia, *Submission 25*, p. 4.

51 Australian Skills Quality Authority, *Marketing and advertising practices of Australia's registered training organisations*, Report, September 2013, p. 13, http://www.asqa.gov.au/verve/resources/Strategic_Reviews_2013_Marketing_and_Advertising_Report.pdf.

52 *Committee Hansard*, 16 July 2015, p. 13.

3.76 This comment acknowledges that third party brokers are valuable to the sector because they perform the essential sales function that helps private VET providers meet their student goals and therefore continue to function as a business. On the other hand, it also acknowledges the need to protect students from those less scrupulous brokers who may not provide all or correct information to prospective students.

3.77 The tightening of regulations around third-party brokers early in 2015 – after many of the submissions to this inquiry had been received – was generally seen as a necessary but not sufficient step in reframing the marketing practices common in the VET sector.

3.78 Making this point, for instance, was Mr William Dwyer of the Redfern Legal Centre, who commented favourably on the new Standards but noted that a significant problem still remained:

Currently the standards and the regulations apply exclusively to RTOs, but it is the conduct of the brokers and the marketing agents which really leads to this whole mess in the first place. They are the ones with the incentive to get high volume sales without any real focus on what happens after that. I think at the moment they are causing a lot of the problems but without much skin in the game. They can pass the buck and just keep generating their commercial profits without much care for what happens to the individual students afterwards.⁵³

3.79 The lack of direct regulation over brokers was also noted by the TAFE Community Alliance, who expressed their concern that the new Standards introduced in 2015 apply only to the providers themselves, and not to brokers working on their behalf:

Whilst ASQA and the Government refer to the new standards that will more strictly control marketing and advertising, including that RTOs cannot claim that students will get a job, the same regulations do not appear to apply to brokers. The growth in the number of brokers, some involved in what are unethical practices, including door-knocking in the western suburbs of Sydney to persuade residents to sign up to courses with the enticement of free iPads and the promise that there are no fees (due to being entitled to VET FEE-HELP). It is not good enough for private providers to claim that they did not know what was being claimed by the brokers they used.⁵⁴

3.80 Noting this, the Consumer Action Law Centre drew attention to the unclear responsibility regarding the regulation of brokers in the VET sector and suggested that ASQA be empowered to act on this front:

It is not clear that ASQA has sufficient mechanisms to respond to non-compliance by private VET providers and education brokers. As such, in

53 *Committee Hansard*, 16 July 2015, p. 24.

54 TAFE Community Alliance, *Submission 31*, p. 11.

our view ASQA needs enhanced enforcement powers to ensure that ASQA can respond swiftly in the event of noncompliance.⁵⁵

3.81 ASQA themselves noted in their submission that the new Standards do not directly regulate the actions of brokers and that further legislation may be required if ASQA is to be able to address this problem:

While these new requirements go some way to addressing the current concerns about the operations of brokers, it is not clear that such measures will, on their own, effectively control unscrupulous brokers.

Significantly, the Assistant Minister for Educational and Training, Senator the Hon Simon Birmingham, announced on 25 February 2015 that legislation was being introduced to further crack down on unscrupulous VET providers and improve training quality. The National Vocational Education and Training Regulator Amendment Bill 2015 will, amongst other things, require anyone, including brokers and other third parties, who is marketing a VET course to clearly identify which RTO is providing the qualification.

Such an amendment to the NVETR Act, combined with the strengthened new Standards will help respond where poor broker behaviour is suspected and are welcomed by ASQA.⁵⁶

The committee notes that currently, brokers are not regulated directly, but only through making providers responsible for the actions of the brokers they subcontract to. Greater and direct regulation of these agents is required.

Recommendation 5

3.82 The committee recommends that urgent and concerted efforts are made to further raise awareness of the rights of students and existing Standards relating to providers in the VET sector. This effort should focus on advocacy groups dealing with the most vulnerable members of the community, including the long-term unemployed or disadvantaged, migrants and people with disabilities.

Recommendation 6

3.83 The committee recommends that the Department of Education and Training and the Australian Skills Quality Authority conduct a concerted and urgent blitz of all providers to ensure that they are consistently complying with the national standards, especially those relating to student recruitment. This blitz should be aimed at defending the interests of students, enforcing adherence to AQF volume of learning standards and removing non-compliant RTOs as VET FEE-HELP providers.

Recommendation 7

55 Consumer Action Law Centre, *Submission 13*, p. 9.

56 Australian Skills Quality Authority, *Submission 60*, p. 16.

3.84 The committee recommends that the government, where there is evidence to do so, provides a brief to the DPP to launch prosecutions against providers engaged or benefiting from fraud and take steps to recover monies lost.

Recommendation 8

3.85 The committee recommends that the Australian Skills Quality Authority be given powers to directly regulate brokers or marketing agents in the VET sector, and to protect students.

Recommendation 9

3.86 The committee recommends that the government caps or otherwise regulates the level of brokerage fees paid for VET FEE-HELP students to maximum amount of 15 percent the amount of the loan.

CHAPTER 4

Education quality and graduate outcomes

4.1 The quality of education or training provided by RTOs was, unsurprisingly, one of the main concerns raised by witnesses.

4.2 Noting the importance of a high-quality VET sector in Australia for individual students and employers alike, as well as for the health of the Australian economy overall, the committee considers these concerns to be of the highest importance.

4.3 Several key themes emerged in evidence provided to the committee by submitters and witnesses that suggests there are some serious problems with the quality of training provided by private RTOs:

- The sector's overall reputation: poor quality providers and courses, and the consequent negative publicity or word-of-mouth reputation, influences the sector's overall reputation and can negatively impact high-quality providers;¹
- Particular concerns exist regarding the quality of teaching and learning and inadequately measured assessment, primarily regarding qualifications awarded after insufficient lengths of time and offering students only superficial learning and assessment practices;² and
- Problems in the sector, including issues raised in the media, have contributed to scepticism amongst industry, employers and others in the sector including unions regarding the worth of some qualifications.³

The sector's overall reputation

4.4 Notwithstanding the existence of many high-quality private providers of vocational education and training, multiple submissions – particularly those from RTOs themselves and related industry bodies – noted that the approach taken by some providers caused problems for the sector as a whole.

4.5 The TAFE Directors Australia (TDA) is the peak national body representing Australia's government-owned TAFE institutes. In its submission, TDA noted that

1 TAFE Directors Australia, *Submission 12*; Australian Council for Private Education and Training, *Submission 28*; Mr Khanche, Australian Institute of Professional Education, *Committee Hansard*, 16 July 2015.

2 Australian Council of Trade Unions, *Submission 38*; TAFE Community Alliance, *Submission 31*; Australian Skills Quality Authority, *Committee Hansard*, 16 July 2015; Service Skills Australia, *Submission 27*.

3 Australian Industry Group, *Submission 30*; Australian Council of Trade Unions, *Submission 38*; Ms Bond, Guild Pharmacy Academy, *Committee Hansard*, 2 September 2015; Speech Pathology Australia, *Submission 25*.

there is evidence of 'two significant problems' which it characterised as both the reality of some providers and the perception of all:

Firstly the reality of poor quality in VET provision in the case of a few providers and secondly the much greater problem of widespread perception of questionable practice that is doing significant damage to the reputation of VET nationally. While perception and reality may be at different levels, increasingly they are one in the eyes of the public... The fallout from some private college behaviour has ricocheted around the training sector and caused much apprehension among students, parents and employers.⁴

4.6 The ACTU argued that government funding and student subsidies have not sufficiently distinguished between high and low quality providers, thus undermining the work done by the former.⁵

4.7 ACPET argued that this was a matter that the sector should take seriously given the effect that the problems caused by some providers has on the sector as a whole:

All registered training organisations (public, private, not for profit) are responsible for the sector's reputation and should unite to protect the VET brand.⁶

4.8 The TAFE Community Alliance noted that the public reputation of the private VET sector was being further undermined by the perception that these concerns are a widespread problem:

The issue around volume of learning, especially length of courses and quality of educational delivery, has plagued the VET system for some time now, but has been exacerbated with the increased marketisation of the VET sector. VET standards and regulations have once again gone some way to trying to address this issue but not far enough. The issue around volume of learning, especially length of courses and quality of educational delivery, has plagued the VET system for some time now, but has been exacerbated with the increased marketisation of the VET sector. VET standards and regulations have once again gone some way to trying to address this issue but not far enough.⁷

4.9 Mr Amjad Khanche of the Australian Institute of Professional Education argued that most private providers did do the right thing, and that providers such as his own were negatively affected by the actions of others in the sector:

Sadly, I understand that the behaviour of a number of bad apples in the VET sector continues to plague the reputation of all VET providers. I am deeply disappointed that the behaviour of those providers compromises the

4 TAFE Directors Australia, *Submission 12*, p. 1.

5 *Committee Hansard*, 16 July 2015, p. 44.

6 Australian Council for Private Education and Training, *Submission 28*, p. 23.

7 TAFE Community Alliance, *Submission 31*, p. 6.

standing of providers like AIPE, which is committed to offering our students the very best VET and higher education.⁸

4.10 The ACTU also expressed its concerns about the existence of poor-quality providers and further noted that these also place pressure on those who do attempt to provide quality education and training at reasonable prices:

The fact that so many RTOs were offering programs of such short duration means people were not getting the skills development and workplace experience they needed to go on and work safely and effectively in the workplace. It did not find that all providers were falling short, but this itself is part of the problem. It means that providers trying to provide high-quality programs are facing unfair competition from those who are reducing training and delivery effort to cut costs.⁹

4.11 Based on evidence received, it appears that many high-quality training providers exist in the VET sector, including amongst private for-profit RTOs. However, the reputation of the sector overall has been – and continues to be – negatively affected by providers who deliver inadequate education or training to their students.

4.12 Given the negative publicity about some providers and how this can affect a broader catchment of providers – including those doing the right thing – the industry may wish to consider steps it could take to collectively address these issues. For example, through providing public information that clearly sets out the nature of their courses and any expenses or debt that may be incurred.

Volume of learning and assessment concerns

4.13 Evidence received suggests that some VET providers are delivering courses of inadequate quality, most obvious in the extremely short timeframes in which some qualifications are offered, alongside insufficiently rigorous assessment practices. Students therefore do not get the education they pay for and ultimately may not have the skills they were seeking to attain through that course. This has wider reaching implications for the community, as will be discussed.

4.14 The ACTU summarised this problem in its submission:

One of the most commonly reported problems is that courses that are clearly too short, being delivered in a fraction of the time they are delivered by reputable providers. In some reported cases, there is virtually no training at all, as training and assessment is done on a 'tick and flick' basis.¹⁰

4.15 In ASQA's review of RTO marketing practices, discussed in the previous chapter, it was noted that:

8 *Committee Hansard*, 16 July 2015, p. 1.

9 Australian Council of Trade Unions, *Submission 38*, p. 20.

10 Australian Council of Trade Unions, *Submission 38*, p. 19.

While there are legitimate circumstances in which clients might obtain qualifications quickly, for example if they have prior relevant experience and skills, it is these marketing headlines, perhaps more than any others, that generate stakeholder concerns and lack of confidence in VET qualifications... The marketing of short duration programs has the potential to undermine consumer and industry confidence in nationally recognised qualifications as it perceived that the training is likely to lack rigor and quality.¹¹

4.16 As an illustration, one example found by ASQA in that review included an advanced diploma earned in two weeks.¹² The Australian Qualifications Framework notes that an appropriate volume of learning for an Advanced Diploma is typically 1.5 to 2 years.¹³ Such abbreviated time frames serve to undermine the worth of all qualifications in the field, since it is not readily apparent to employers, for instance, which Applied Diplomas have been awarded after two years of study and which have been awarded after two weeks.

4.17 The TAFE Community Alliance noted that they had 'been made aware of students coming to TAFE to undertake further learning because the hours delivered by private providers, eg. in languages, were too few'.¹⁴

4.18 In light of this evidence, it would seem that inadequate training may result in some students incurring additional training costs as they need to supplement their original study with further courses in order to gain the skills required for their role.

4.19 Service Skills Australia, while recognising the flaws in a purely hours-based understanding of whether a course was sufficient or otherwise, argued that,

A key concern has also been the availability of courses of an excessively short duration. While it is the case that a competency-based vocational education system is difficult to regulate in terms of duration, given it is not intended to be a time-based system, it is undoubtedly the case that poor quality outcomes have been related to the provision of unjustifiably short or 'fast-tracked' courses.¹⁵

11 Australian Skills Quality Authority, *Marketing and advertising practices of Australia's registered training organisations*, Report, September 2013, p. 20, http://www.asqa.gov.au/verve/resources/Strategic_Reviews_2013_Marketing_and_Advertising_Report.pdf.

12 Australian Skills Quality Authority, *Marketing and advertising practices of Australia's registered training organisations*, Report, September 2013, p. 20, http://www.asqa.gov.au/verve/resources/Strategic_Reviews_2013_Marketing_and_Advertising_Report.pdf.

13 Australian Qualifications Framework, Second Edition January 2013, p. 42, <http://www.aqf.edu.au/wp-content/uploads/2013/05/AQF-2nd-Edition-January-2013.pdf>, accessed 30 September 2015.

14 TAFE Community Alliance, *Submission 31*, p. 6.

15 Service Skills Australia, *Submission 27*, p. 3.

4.20 Numerous submissions¹⁶ suggested that at least part of this problem could be solved by introducing minimum hours for all courses, with that minimum varying depending on the nature of the course and the degree of the qualification involved.

4.21 In considering this issue, ACPET argued that increased oversight in this area would benefit students and providers:

ACPET believes closer scrutiny of how the 'amount of learning' in determined, advertised and delivered for courses will help ensure learners acquire the skills of a certification.

ACPET acknowledges that it is challenging for government to regulate how long a qualification should take, as there are many variable within each type of training scenario, such as Language, Literacy and Numeracy issues, Disabilities and location of delivery... While the improved standards relating to marketing and advertising have been enhanced, through the review of the promotion of excessively short courses, it will be beneficial to all RTOs for regulators to provide additional advice and support in understanding the requirements for volume of learning.¹⁷

4.22 The Workplace Research Centre also made this recommendation:

The quality framework should maintain a minimum number of hours of delivery wherever this involves public subsidy (including indirect subsidy through VET FEE-HELP).¹⁸

5.1 In its submission, ASQA noted that the new Standards make reference to the question of 'amount of training' students undertake and consequently is:

currently adjusting its audit practices to ensure it examines the training and assessment strategies of RTOs to ensure they are consistent with these requirements.

ASQA notes that, if VET qualifications themselves clearly mandated volume of learning requirements within the qualification specifications, rather than relying on the volume of learning specifications contained within the Australian Qualifications Framework, ASQA would be better able to pursue those RTOs offering training and assessment in very short timeframes (as a direct breach of the NVETR Act).¹⁹

4.23 Noting that ASQA has begun to consider the issue, Service Skills Australia stated:

We are supportive of the suggested approach in the current Discussion Paper for the Review of Training Packages and Accredited Courses to incorporate additional delivery and assessment measures detailed in the

16 Australian Council for Private Education and Training, *Submission 28*; Service Skills Australia, *Submission 27*; Workplace Research Centre (*Submission 62* appendix)

17 Australian Council for Private Education and Training, *Submission 28*, pp. 19-20.

18 Workplace Research Centre, commissioned by Australian Education Union, *Submission 62*, appendix p. 44.

19 Australian Skills Quality Authority, *Submission 60*, p. 15.

2013 VET Quality Report. These measures include specifying volume of learning requirements for selected high-risk units of competency and qualifications. That is, training providers would be able to stipulate a range of hours for learners to achieve learning outcomes, with consideration given to the characteristics of the learner.²⁰

4.24 The committee is of the view that considering standards of minimum hours required for courses is a practical option that could be explored as a way to help to resolve this issue.

4.25 A related issue raised in submissions to this inquiry is that of students being assessed in ways that guaranteed that they would pass. For example, Ms Marietta Cully, a former student at Hospitality Training Australia, provided evidence in her submission that practices existed whereby students were guaranteed a pass:

Students were tested, after which answers were provided and where applicable, students simply reattempted the test until they passed.²¹

4.26 Ms Julie Skinner, a former tutor with a private RTO, noted that in her experience, there was a level of pressure exerted on teaching staff to encourage them to pass students and even clearly plagiarised work submitted for assessment was marked competent in order to pass the students through the course.²²

4.27 The committee also received evidence suggesting that some providers would grant students qualifications based on Recognition of Prior Learning, even where that student had no previous knowledge or experience in the area.²³ Such an approach potentially places people at risk when they are simply unable to do a job for which they have a qualification.

4.28 One submitter, with a background including work auditing VET providers, argued that the entire question of qualifications through Recognition of Prior Learning (RPL) is a complex one, yet is rarely treated as such:

Recognition of Prior Learning is an assessment process designed to recognise the existing competence a person has regardless of when and how that knowledge and skill was obtained. Conducting an RPL assessment properly is an extensive activity of evidence gathering and relies on an informed professional judgement. I question the level of that professional judgement when I know that many thousands of assessors have only receive[d] one week's worth of training from someone who had received one week's worth of training and so on.²⁴

20 Service Skills Australia, *Submission 27*, p. 3.

21 Ms Marietta Cully, *Submission 79*, p. 3.

22 Julie Skinner, *Submission 73*, pp. 1-2.

23 Tracey Baker, *Submission 87*.

24 *Submission 57*, p. 7.

4.29 Mr Anthony Norris, a student previously enrolled in a Diploma of Counselling at Evocca College, recounted that the assessment in his course entailed being given an answer book and answer sheets:

You don't actually learn very much at all, it is simply a matter of taking the answer from the book and fill in the blanks. Even the question sheet is worded very similarly to the 'readings'.²⁵

4.30 These first-hand accounts by students and educators are cause for concern as they suggest a failure to provide a meaningful learning experience with robust training that leads to properly qualified workers. This may lead not only to disappointment but may pose a more serious threat to the community when people are not adequately able to undertake job-related tasks confidently or safely.

4.31 A number of organisations raised similar concerns, such as the ACTU which noted problems uncovered by ASQA with the certification of the construction industry's safety training qualification (the 'White Card'):

The Industry Skills Council for the sector recommended six hours for the white card training, but ASQA research found the RTOs using online delivery all had training and assessment strategies of four hours duration or less, with most people completing training and assessment in less than one hour, some as little as 30 minutes. Some had no actual training at all, with only a knowledge test. The potential for identity fraud with online training was another key finding, as none of the online delivery RTOS were adequately assuring the identity of students.²⁶

4.32 While it is difficult to quantify the extent of this issue, it appears that examples of VET providers granting qualifications based on inadequate assessment regimes cannot be dismissed as isolated examples.

4.33 The committee notes that it may indeed be a small minority of providers who engage in the activities suggested here, but the question goes again to the sector's overall reputation and feeds into concerns about the worth of qualifications issued in the VET sector.

The worth of qualifications

4.34 A substantial problem raised by multiple submitters²⁷ was that qualifications issued by VET providers, which should be standard across any given qualification type or industry, in fact vary considerably and that this reflects a broad range in the quality of courses depending on the quality of the provider.

25 Anthony Norris, *Submission 72*, p. 1.

26 Australian Council of Trade Unions, *Submission 38*, p. 19.

27 Australian Industry Group, *Submission 30*; Australian Council of Trade Unions, *Submission 38*; Ms Bond, Guild Pharmacy Academy, *Committee Hansard*, 2 September 2015; Speech Pathology Australia, *Submission 25*.

4.35 In particular, this was a problem raised by industry and employer groups, along with unions, all of whom recognised the difficulties faced by employers and workforces alike when newly qualified workers may not have the skills or knowledge suggested by the qualifications they hold.²⁸

4.36 In discussing feedback from their membership group, Australian Industry Group (AI Group) noted that they had:

Experienced disquiet from employers concerning inadequate time in the delivery of courses by providers, inadequate assessment of competence and poor quality training outcomes.²⁹

4.37 The ACTU argued that the consequence of the inadequate training and assessment, and therefore the disputed worth of the qualifications they led to, is a loss of confidence by industry 'in the value of the White Card to assure workplace safety for new entrants to the construction industry'.³⁰

4.38 The public safety implications of this level of uncertainty was perhaps highlighted best by Ms Sue Bond, Head of the Guild Pharmacy Academy, when asked about her concerns regarding inadequate training:

In this case—and it was a couple of years ago—I spoke to the young woman in question at length. She was employed in a pharmacy. One night they were taken into a room and asked to sign a range of documents. She was unaware of what she was signing. However, she was told that if she signed them she would get a \$500 incentive payment. She then worked for a couple of months in that pharmacy, and, in that time, from what she was aware of, she was observed on one occasion by someone from a company. She then left that pharmacy and went to another pharmacy, and this is when we became aware of the problem. The pharmacist rang us. He had worked with us on a number of occasions; he had put lots of people through our training. He said, 'I've got this pharmacy assistant who has a certificate III and she doesn't know what an analgesic is.' That obviously raised some concerns. When I spoke to the young woman, she had left the initial pharmacy and about six months later received a full qualification in the mail.³¹

4.39 Ms Bond indicated that inadequate training can pose a public safety risk, and demonstrated with a range of over-the-counter products:

I am a teacher at heart, so I brought along some examples. Everyone is suffering from colds and flu at the moment. You can go into a pharmacy and you can buy some Codral—you can buy these in a supermarket as well—to make you feel better. You can also buy some Lemsip because you have a sore throat. And because you have some aching bones you might

28 Australian Industry Group, *Submission 30*; Australian Council of Trade Unions, *Submission 38*; Ms Bond, Guild Pharmacy Academy, *Committee Hansard*, 2 September 2015.

29 Australian Industry Group, *Submission 30*, p. 2.

30 Australian Council of Trade Unions, *Submission 38*, p. 19.

31 *Committee Hansard*, 2 September 2015, p. 36.

buy some Panadol or Panadol Osteo. All of those products contain paracetamol. If you take all of these products as directed on the pack, you are actually taking a toxic level of paracetamol. If you continue to do that, you will cause yourself some fairly significant liver damage. I went and bought these this morning and, when I bought them, the pharmacy assistant said, 'Are you going to be taking all of these at once?' That is what we want. We want educated staff who are aware of the dangers of taking medicines and who are able to alert customers so that they do not cause themselves harm.³²

4.40 Ms Bond further stated:

It does strike me as fraudulent behaviour. It concerns me enormously because I am passionate about the VET sector. I have been in it for a long time, and to see this sort of behaviour—but also from the community point of view, I would be hugely concerned if my mother or my grandmother or a family member was not provided with that level of advice and information.³³

4.41 This evidence highlighted to the committee the real and potentially deadly results of people finishing their VET courses without being provided adequate training to do their job.

4.42 It is clear that proper, high-quality training is essential and should not be compromised because of profit or time motivations.

4.43 Safety on construction sites was highlighted by the ACTU, who also noted that employers without confidence in the training system and its assessments are choosing to retrain their workers to ensure that they are in fact trained to the level their qualifications suggest they will be:

I just want to make the points about high-risk work licensing, which is about things like scaffolding, dogging and rigging. Any search of the website will show you that these courses are being run very quickly. I give the example of basic scaffolding. It has 129 assessment questions, of which the students must do 84. It has maths questions. It has 12 practical tasks, which include the erection of three scaffolds. It takes us one day just to do the assessment. The learning that is required to get people to that level is much more significant than that, but if you look on website you will see people offering that for three to four sessions. These are the work platforms that people work from on sites. The sum total of all of this is, I believe, a lack of confidence in the system and a really blatant misuse of resources. So you have poor skills, you got poor occupational health and safety practice but you also have employers just not trusting the qualifications that are coming through. What has emerged is what is called a verification of competencies. When someone goes to get a job on a site they are asked to have their qualifications reassessed. So you have this parallel system, which is unregulated, of assessments, of checking people's qualifications, because

32 *Committee Hansard*, 2 September 2015, pp. 36-7.

33 *Committee Hansard*, 2 September 2015, p. 37.

employers do not have confidence in the system. It is a bit of a gravy train.³⁴

4.44 This demonstrates a commitment by some employers to ensure their staff are properly trained, but also highlights problems and inefficiencies which are consequences of the unreliability of some qualifications issued by some VET providers.

4.45 The need for better regulation in order to avoid these problems emerging, and stronger enforcement of existing regulations, was noted by Mr Stephen Bolton, Senior Adviser, Employment, Education and Training, of the Australian Chamber of Commerce and Industry:

It is a major issue for us. It is heartbreaking to think of young people who have gone through and gained a qualification that has been revoked or who have recently learnt that the qualification would not get them the outcome they were seeking. Indeed, many employers have employed some of these young people and discovered that they do not have the skills that the piece of paper purports they have.

As I was saying, it is predominantly a regulatory issue. The standards for RTOs have been in place. While the previous standards were inadequate in a number of areas, especially in the training and assessment side of things, they were simply not properly enforced by the regulator, be it the national regulator or the VRQA.³⁵

4.46 Mr Bolton's emphasis on the need for stronger enforcement of regulations around qualifications issued by VET providers suggests that this key issue of concern in the sector could be addressed by further empowerment of ASQA as the industry regulator.

4.47 During the hearing, the committee made the point that the question of worthless qualifications is about public safety:

This is not just heartbreaking though; this is of incredible importance to public safety—not to mention the individual safety of particular workers. You have people who cannot read labels put into hospitals, you have people in charge of children who are not qualified to actually perform their function and you have people on building sites who cannot use the equipment. It is not just the question of being heartbreaking; it is actually much more serious. I am just wondering how we could get to a circumstance where this is allowed to occur.³⁶

4.48 Mr Bolton was of the view that:

34 *Committee Hansard*, 16 July 2015, p. 37.

35 *Committee Hansard*, 16 July 2015, p. 47.

36 *Committee Hansard*, 16 July 2015, p. 47.

It is a case that, primarily, the regulatory structure was not able to keep up with the increase in demand. We had a compliant system in place that was not effectively enforced.³⁷

4.49 Even where the public safety issues are less significant or not present, the nature of inadequate or inconsistent levels of training is an area of concern for employers.

4.50 Alongside this concern, the ACTU also pointed to the substantial economic issues inherent in members of the construction industry being insufficiently trained:

From a manufacturing point of view, and it is an area of particular interest, we worry deeply that the people who are building our bridges, our submarines – hopefully our submarines – and our ships have the skills that are required to produce a product that is sustainable and that will drive the Australian economy.³⁸

4.51 In their submission, Speech Pathology Australia noted concerns in the industry with significant variation in the quality of teaching of speech pathology electives as part of the Certificate IV Allied Health Assistance:

Speech Pathology Australia members have reported significant differences between the skills of graduates depending on the course they have undertaken even though the curriculum studied was reported as having been identical.

Of particular concern to our profession, we have received reports of non-speech pathologists being employed to teach the speech pathology components and/or supervise allied health assistant (AHA) students undertaking placements within speech pathology settings. This is unacceptable to our profession.³⁹

4.52 Pointing to ASQA's 2013 report into RTOs – particularly in terms of marketing and advertising – the AI Group noted that several of ASQA's main findings 'further highlight the major concerns experienced across the sector', including:

Training with a delivery duration that is too short to meet industry requirements and with insufficient time for workplace skills development. Work based experiences are mandatory in some cases.

Training and assessment strategies that are not well developed, not compliant or did not involve industry consultation.⁴⁰

4.53 Employers, the AI Group points out, are clients of VET providers too, and concerns about the usefulness or appropriateness of qualifications can make it difficult for employers to make decisions about training for their workforce.⁴¹

37 *Committee Hansard*, 16 July 2015, pp. 47-8.

38 *Committee Hansard*, 16 July 2015, p. 38.

39 Speech Pathology Australia, *Submission 25*, p. 3.

40 Australian Industry Group, *Submission 30*, p. 2.

41 Australian Industry Group, *Submission 30*, p. 3.

4.54 In light of the very serious issues raised around safety, economic and productivity considerations, graduates with inadequate training or experience, employers wasting money and time seeking to train their workers, the committee is deeply concerned about the quality of training some private RTOs are providing.

4.55 The committee is of the view that, as with other issues in the VET sector, the problems caused by some providers are causing major reputational damage to the whole sector, including high-quality RTOs with a history of providing quality training.

4.56 The committee is firmly of the view that the community must not be placed at further risk as a result of the ample evidence of shoddy training, inadequate trainers or assessment that lacks robustness.

Subcontracting

4.57 A related issue brought to the committee's attention is that of subcontracting of the delivery of training. In this circumstance, a student enrolls with an RTO but the actual training is carried out by an unregistered organisation. Issues about both regulation and quality were raised.

4.58 The AEU discussed the problems inherent in this type of delivery. The committee expressed a view that 'unregistered providers are the Achilles heel of the whole regulatory system' and asked the AEU whether a person or an entity, though not themselves registered, can enter into a third-party arrangement with a registered training organisation and be beyond the scrutiny of all the regulators.⁴²

4.59 Ms Pat Forward, Federal TAFE Secretary and Deputy Federal Secretary of the AEU responded:

What I am saying is that a registered training organisation can contract the training, either individually with students or with the government, and then subcontract that delivery to an unregistered entity.⁴³

4.60 Ms Forward indicated that the problem was 'widespread' and had implications for the regulator. When asked whether descriptions of ASQA as a 'toothless tiger' were justified, Ms Forward responded:

We have an ongoing concern with the strength of the regulations. Nevertheless, there is a system whereby providers are required to register in order to deliver national qualifications. At the same time, we have a system that allows registered training organisations to subcontract delivery to organisations which are not registered. Is it widespread? My understanding is that it is. The subcontracting of delivery occurs in, at least, all of the eastern seaboard states. I do not understand why the system itself is not able to give you that information.⁴⁴

42 *Committee Hansard*, 2 September 2015, pp. 4-5.

43 *Committee Hansard*, 2 September 2015, pp. 4-5.

44 *Committee Hansard*, 2 September 2015, pp. 4-5.

4.61 The committee notes with concern the regulatory issues raised by the existence of unregistered training providers being used as subcontractors by RTOs and suggests that greater scrutiny of this practice should be considered by the regulator.

4.62 A possible solution to this problem was brought to the attention of the committee by the Victorian Department of Education and Training. As part of that government's review of VET provision, they are considering introducing a reform whereby registered organisations seeking to subcontract out any part of the training for which they have been contracted would be obliged to receive the Department's approval for any such subcontracting arrangement. The committee notes that this idea should be explored nationally.

Particular issues in the Early Childhood and Aged Care sectors

4.63 Few areas of training have attracted the levels of scrutiny and criticism as those in the Early Childhood and Aged Care sectors. Shortcomings in the training of students for employment in these fields have been extensively covered and the topic of considerable media and public interest, particularly in light of the mass recall of qualifications issued in Victoria.⁴⁵

4.64 The concerns about quality of training in the care sector have primarily focused on qualifications being issued after only brief periods, and particularly with minimal workplace experience for students. The committee will outline some of these issues in this report.

4.65 Concerns about inadequate training in these fields are of particular interest, since they directly impact upon some of the most vulnerable members of the Australian community: young children and the aged. Providing high-quality care to these groups should not be compromised by the poor standard of training which has been described.

Early Childhood

4.66 Concerns were raised by Early Childhood Australia in their submission, drawing on discussions and surveys within their industry:

45 'Hundreds of Vocation private training college graduates forced to hand back qualifications', *ABC News*, 22 April 2015, <http://www.abc.net.au/news/2015-04-22/private-training-college-graduates-stripped-of-qualifications/6412318>, accessed 1 October 2015; 'A new report has found that a massive 70 per cent of childcare courses take less than a year to complete', *News.com.au*, 19 August 2015, <http://www.news.com.au/lifestyle/parenting/a-new-report-has-found-that-a-massive-70-per-cent-of-childcare-courses-take-less-than-a-year-to-complete/story-fnet08ui-1227490464562>, accessed 1 October 2015; 'Childcare centres shocked at second-rate training of staffworkers', *The Australian*, 22 August 2015, <http://www.theaustralian.com.au/news/inquirer/childcare-centres-shocked-at-second-rate-training-of-staffworkers/story-e6frg6z6-1227493608775>, accessed 1 October 2015; 'Childcare centres blacklist accredited training organisations providing poor graduates', *ABC News*, 10 September 2014, <http://www.abc.net.au/news/2014-09-10/childcare-centres-blacklist-organisations-over-poor-training/5732270>, accessed 1 October 2015.

While the quality of training has improved, we recognise that there are still concerns about aspects of training delivery which can help to inform future practice and regulation of the sector.

Broadly, the sector is concerned about the quality of graduates. Early Childhood Australia's members were most concerned about the relationship between the quality of graduates, and courses being conducted over a short timeframe.⁴⁶

4.67 An Early Childhood teacher/director quoted by Early Childhood Australia commented that:

We have no confidence in the competency of graduates of a number of RTOs, especially fast tracked courses with poor quality, 'tick and flick' content. Students with literacy issues routinely pass competencies without a clear understanding of content.⁴⁷

4.68 United Voice, the union representing workers in the child care sector, noted in its submission their concerns with training standards; making the point that qualified staff are needed to ensure quality care for some of our most vulnerable people:

United Voice members working in the areas of aged care and early childhood education and care (ECEC) have raised serious concerns about the quality of training being delivered by some of the private training providers that are increasing their presence in these sectors.

Both of these sectors have high staff turnover and struggle to attract and retain the qualified staff needed to ensure some of our most vulnerable Australians receive the care and - in the case of ECEC, the early education - they need. The pressure for services to have qualified staff combined with government incentives for private providers have led to a situation where some private providers are rushing people through courses with little or no regard as to the quality of learning outcomes.⁴⁸

4.69 The members surveyed by Early Childhood Australia suggested that many of the trainers employed to train students do not themselves have sufficient knowledge or understanding to pass on to their students.⁴⁹ This is of concern since it suggests a pattern of poor-quality training is being perpetuated in some professions, which may pose systemic problems.

4.70 The consequence of this insufficient training is that students are finishing their course without having the skills necessary to work in the sector. An Early Childhood Education Centre service director responding to Early Childhood Australia's survey noted that:

46 Early Childhood Australia, *Submission 44*, pp. 4-5.

47 Early Childhood Australia, *Submission 44*, p. 5.

48 United Voice, *Submission 45*, p. 1.

49 Early Childhood Australia, *Submission 44*, p. 5.

We see this [poor quality training] in recruiting new staff, when applicants are unable to complete a job application and are unable to answer even simple questions about children's learning.⁵⁰

4.71 A related issue was raised by United Voice, who noted that the poor reputation of some providers in this sector has rendered the qualifications they issue a barrier to employment for those students who have undertaken them:

In some areas, service providers have developed unofficial 'black lists' of training providers whose graduates will not be accepted due to the poor quality of the training provided. While this is entirely understandable on behalf of the providers who need to ensure the quality of the services they provide, it also grossly unfair for the graduates who have invested time and money in obtaining what is essentially a useless qualification.⁵¹

4.72 Similarly, Melbourne City Mission noted that:

The demand-led system has delivered VET courses of widely varying quality. As an employer of aged care, disability and child care staff, Melbourne City Mission's dissatisfaction with the quality of graduates has been such that we have developed through our RTO our own Certificate III course in Early Childhood Education and Care.⁵²

4.73 The committee notes with concern the potentially negative effects of this inadequate training amongst those responsible for caring for Australian children.

Aged Care

4.74 Many of the concerns, including excessively short courses, limited work placements and inadequate assessment practice, held about the training of workers in the Early Childhood sector have also been expressed regarding workers in the Aged Care industry.⁵³

4.75 In 2013 ASQA engaged in a review of aged and community care training, initiated in response to concerns raised by the Productivity Commission's 2011 report, *Caring for Older Australians*.⁵⁴

50 Early Childhood Australia, *Submission 44*, p. 6.

51 United Voice, *Submission 45*, p. 2.

52 Melbourne City Mission, *Submission 46*, p. 4.

53 'Vocation to tear up 1100 student qualifications including first aid, aged care', *Sydney Morning Herald*, 18 May 2015, <http://www.smh.com.au/business/vocation-to-tear-up-1100-student-qualifications-including-first-aid-aged-care-20150518-gh4bd8.html>, accessed 1 October 2015; 'Aged care training courses under fresh scrutiny', *Australian Ageing Agenda*, 23 January 2015, <http://www.australianageingagenda.com.au/2015/01/23/aged-care-training-courses-fresh-scrutiny/>, accessed 1 October 2015.

54 Australian Skills Quality Authority, *Training for aged and community care in Australia*, Report, September 2013, p. i, http://www.asqa.gov.au/verve/resources/Strategic_Reviews_2013_Marketing_and_Advertising_Report.pdf.

4.76 ASQA's review confirmed the concerns reported by the Productivity Commission, noting that:

The quality and quantity of training in the sector varies widely, with insufficient on-the-job, or work-based, training being provided. Some trainers and assessors were identified as not having current industry experience.⁵⁵

4.77 ASQA, following the evidence presented to the Productivity Commission, noted that several key concerns exist, but that there was an over-arching problem with the wide variability of training quality and quantity students undertaking qualifications in Aged Care could receive.⁵⁶

4.78 As with Early Childhood care, a significant field of variability in the training of Aged Care workers was that of practical experience gained through work placements as a part of the training.⁵⁷

4.79 Employers in particular expressed considerable concern about training courses which did not include work placements, with several noting that applicants without suitable work experience would not be considered for employment, regardless of the qualification they held.⁵⁸

4.80 While this suggests a responsible approach by employers, it may place some people at a disadvantage after they have obtained what they believe to be worthwhile qualifications. As suggested earlier in this report, additional training may be required in some situations where quality training was not provided, and this can raise further costs for students.

4.81 The evidence thus suggests that students being trained to work in the Aged Care sector are possibly receiving inadequate levels of training, with the result that they may hold a qualification but are in reality unprepared for employment in the field.

4.82 ASQA recommends in its report into the sector that they:

continue to make the regulatory scrutiny of aged and community care training a very high priority in its regulatory approach. ASQA should continue to require the inclusion of aged and community care training and

55 Australian Skills Quality Authority, *Training for aged and community care in Australia*, Report, September 2013, p. ix.

56 Australian Skills Quality Authority, *Training for aged and community care in Australia*, Report, September 2013, p. 28.

57 Australian Skills Quality Authority, *Training for aged and community care in Australia*, Report, September 2013, pp. 28-9.

58 Australian Skills Quality Authority, *Training for aged and community care in Australia*, Report, September 2013, pp. 44-5.

assessment, as a mandatory requirement, in the sample of qualifications for any audit it undertakes of any RTO offering such training.⁵⁹

4.83 ASQA further recommended that any RTO offering aged care training courses should be required to attend information workshops on training and assessment strategies to assist them to comply with regulatory standards.⁶⁰

4.84 The committee expresses deep concerns regarding the quality of training being undertaken by many students in the Aged Care sector, and believes there is a real risk to public health and safety, particularly in such a vulnerable community because of the low standards of training some RTOs are providing.

4.85 There is no reason to believe that these issues are confined to the Aged Care or Early Childhood sectors. In the course of the inquiry the committee has also heard evidence that these practices are rife in the construction and security industries.

Recommendation 10

4.86 The committee recommends that the government apply, in consultation with industry and quality providers, minimum hours standards to VET FEE-HELP eligible courses.

Recommendation 11

4.87 The committee recommends that the Australian Skills Quality Authority be given the powers to take swift and strong action against Registered Training Organisations found to be providing inadequate training to their students.

Recommendation 12

4.88 The committee recommends that the Department of Education and Training should have to approve any instances of Registered Training Organisations subcontracting out components of their VET FEE-HELP eligible training to non-registered third parties.

Recommendation 13

4.89 The committee recommends that the Australian Skills Quality Authority maintains its close scrutiny on and gives priority to the Early Childhood and Aged Care training sectors, given the concerns noted in this report.

59 Australian Skills Quality Authority, *Training for aged and community care in Australia*, Report, September 2013, p. 58.

60 Australian Skills Quality Authority, *Training for aged and community care in Australia*, Report, September 2013, p. 59.

CHAPTER 5

Regulation

The regulatory framework

5.1 The Department of Education and Training is responsible for overseeing the VET sector's quality assurance regime:

Providers, both public and private, are required to satisfy a suite of requirements to gain entry to the system and to continue to operate as Registered Training Organisations (RTOs) and offer nationally recognised training.

These are known collectively as the VET Quality Framework consisting of

- Standards for Registered Training Organisations (RTOs) 2015;
- Australian Qualifications Framework (AQF);
- Fit and Proper Person Requirements;
- Financial Viability Risk Assessment Requirements; and
- Data Provision Requirements.

The Framework is supported by the following requirements:

- Standards for Training Packages;
- Standards for VET Accredited Courses;
- Standards for BET Regulators 2015; and
- Risk Assessment Framework.¹

5.2 Since 2011, Australia's VET sector has been regulated at the national level by the Australian Skills Quality Authority (ASQA), with the exception of Victoria and Western Australia, whose VET sectors are regulated by the Victorian Registration and Qualification Authority and Western Australia's Training and Accreditation Council, respectively.²

5.3 ASQA, under the National Vocational Education and Training Regulator Act 2011, is responsible for regulating RTOs that provide nationally recognised VET, and its functions include:

- Registering training providers;
- Registering organisation on the Commonwealth Register of Institutions and Courses for Overseas Students (CRICOS) to deliver training to international students on student visas; and

1 Department of Education and Training, *Submission 48*, pp. 8-9.

2 Department of Education and Training, *Submission 48*, p. 9.

- Ensuring that organisations comply with the conditions and standards for registration, including by carrying out compliance audits and accrediting VET courses.³

Recent reforms and the New Standards

5.4 As of 1 January 2015, the revised Standards for RTOs 2015 (Standards) came into effect. Endorsed by the Council of Australian Governments' Industry and Skills Council and enabled by the National Vocational Education and Training Regulator Act 2011, the Standards describe the outputs by which Registered Training Organisations in Australia can be assessed.⁴

5.5 Eight Standards now govern the RTO sector:

- Responsive to industry and learner needs;
- Quality assurance;
- Secure and accurate certification;
- Accessible information about services;
- Informed and protected learners;
- Fair complaints handling;
- Effective governance and administration; and
- Legal compliance.⁵

5.6 These Standards were introduced after the commencement of this inquiry. While generally regarded as a positive step in the regulation of private VET providers, several witnesses argued that the Standards did not go far enough in preventing the unscrupulous behaviour of some RTOs.

5.7 It was noted by the Consumer Action Law Centre that the new Standards apply primarily to VET Fee-Help eligible courses, meaning that students in other courses are still exposed to many of the problems evident in the sector.⁶

5.8 One example of this identified by the law centre relates to when debts are incurred:

3 Department of Education and Training, *Submission 48*, p. 9.

4 ASQA website, About the Standards for RTOs 2015: <http://www.asqa.gov.au/users-guide-to-the-standards-for-registered-training-organisations-2015/about-the-standards-for-rtos/about-the-standards-for-rtos.html>, accessed 6 September 2015.

5 ASQA website, *Users' Guide to the Standards for Registered Training Organisations 2015*: <http://www.asqa.gov.au/users-guide-to-the-standards-for-registered-training-organisations-2015/users-guide-to-the-standards-for-registered-training-organisations-2015.html>, accessed 6 September 2015.

6 Consumer Action Law Centre, *Submission 13.1*, p. 2.

Students who choose to pay for their study with VET FEE-HELP loans now have far greater consumer protections than those who choose to pay from their own pocket. However, many of the poor practices that led to the VET FEE-HELP reforms are also seen in non-VET FEE-HELP courses.

Of particular concern are courses, including those comprising multiple years of study, where students are liable for the full cost of a course upfront, even if they never attend a class. This is in stark contrast to university, where you incur liabilities incrementally. From 1 January 2016, tuition fees for VET FEE-HELP courses will also have to be spread evenly over four periods for each course. Students will receive invoices two weeks before each census date. The Federal Government said this is 'effectively banning the practice of the VET FEE-HELP loan debt for the whole qualification being levied on a student in one hit upfront.'

The disparity in protections between VET FEE-HELP and non-VET FEE-HELP students is not only unfair, but also significantly reduces competition between non-VET FEE-HELP training providers as students are unable to move between providers.⁷

5.9 Further, as discussed in Chapter 3, the committee heard evidence that the new Standards had not had any impact on the behaviour of some private providers. Enforcement, it was argued, needs to be strengthened.⁸

The role of the Australian Skills Quality Authority

5.10 A common theme amongst submissions⁹ was the argument for a more powerful regulatory role for ASQA). For instance, the Consumer Action Law Centre recommended that ASQA:

- (a) be given enhanced enforcement powers, including appropriate administrative powers to impose penalties for non-compliance with relevant standards;
- (b) increase the frequency of compliance audits of private VET providers and education brokers; and
- (c) increase enforcement action against VET providers and education brokers that contravene the relevant standards. Action should be based on a clear strategic compliance and enforcement policy.¹⁰

5.11 The rapid expansion of the VET market, in particular the effects of opening up contestable funding to for-profit providers, has meant that ASQA's role as the regulator of the sector has been undermined by the sheer number of RTOs they were

7 Consumer Action Law Centre, *Submission 13.1*, p. 2.

8 *Committee Hansard*, 2 September 2015, p. 10.

9 TAFE Directors Australia, *Submission 12*, p. 1.

10 Consumer Action Law Centre, *Submission 13*, p. 3.

required to regulate. As noted in Chapter 2 of this report, as of 31 December 2014, ASQA was responsible for the regulation of over 85% of all RTOs in Australia, totalling 3,898.¹¹

5.12 A key balancing act for the regulator in any industry is ensuring that regulation and enforcement are efficient in preventing or responding to non-compliance without overly burdening those who are seeking to comply.

5.13 Multiple submitters made the case for a regulatory regime that distinguishes between established providers who present a low risk to students and governments and newer providers or those who have demonstrated compliance issues in the past.¹²

5.14 For example, the AI Group argued:

On the one hand [ASQA's] auditing regime must continue to identify non-compliance and assist in rectifying training provider practices which are damaging the system. On the other hand, providers of proven quality should not be faced with heavy regulatory requirements.¹³

5.15 ASQA itself argues that its risk-based auditing process is designed to achieve that end:

ASQA has been working to implement a reform program to reduce the regulatory burden on high performing RTOs. A key outcome of the program is ensuring those RTOs with a strong track record of compliance are free to operate their businesses without unnecessary regulatory intervention by ASQA.

That outcome also allows ASQA to focus its attention on those areas of greatest concern.¹⁴

5.16 NCVER, in discussing international trends regarding the regulation of private VET providers, noted:

Risk-based approaches to reduce regulatory burden on the regulated and the regulator, and to improve the efficient use of resources, are also being commonly applied. This is especially the case for those systems which have given substantial independence and autonomy to providers. The identification of key risk factors helps regulators to establish audit or review schedules and to focus reviews on specific issues.¹⁵

5.17 ASQA explained the rationale behind the risk-based approach in its submission:

11 Australian Skills Quality Authority, *Submission 60*, p. 3.

12 The Australian Industry Group, *Submission 30*; Australian Institute of Professional Education, *Submission 10*, p. 5; Adult Learning Australia, *Submission 35*.

13 The Australian Industry Group, *Submission 30*, p. 3.

14 Australian Skills Quality Authority, *Submission 60*, p. 7.

15 National Centre for Vocational Education Research, *Submission 19*, p. 5.

The primary risk that a VET regulator must manage relates to the potential for adverse impacts on students, employers, industry, governments, and the Australian community from the delivery of substandard training and assessment. In broad terms, this is the risk that an individual is certified by a RTO as possessing competencies that do not accurately reflect his/her true ability to apply the associated skills and knowledge.

Other risks to be considered by a VET regulator include:

- reputational damage to the sector caused by sub-standard RTO performance or inappropriate behaviour; and
- ineffective social and economic planning by government due to an inability to access accurate information about VET or to supply industry with adequate, appropriately skilled, workers.¹⁶

5.18 ASQA uses a risk profile approach to determine the type and frequency of scrutiny activities to apply to an RTO. The argument is that this approach allows the regulator to operate fairly and devote resources appropriately and efficiently.¹⁷

5.19 As at 28 February 2015, according to its website, ASQA had profiled RTOs as follows:

- High risk-385 providers (9.9 per cent);
- Medium risk-818 providers (20.9 per cent);
- Low risk-2263 providers (57.9 per cent);
- No rating assigned-442 providers (11.3 per cent).¹⁸

5.20 It is to be expected that a higher proportion of private providers will be assessed as high risk than the figures above suggest, given that the risk ratings may include public providers. According to the *Regulation Impact Statement: Proposed changes to the Education Services for Overseas Students framework*:

up to 15 per cent of education institutions could be assessed by the relevant quality assurance agencies as being 'high risk'. This assumption is intended to be a likely average across education sectors (from the perspective of calculating deregulatory savings), taking into account that:

- it is higher (by 50 per cent) than the 10 per cent of private registered training organisations assigned a high risk rating by ASQA for its quality assurance purposes
- VET institutions are generally considered to pose a higher risk of financial collapse and/or closure than other sector participants (such as schools and universities)

16 Australian Skills Quality Authority, *Submission 60*, p. 4.

17 Australian Skills Quality Authority, *Provider risk ratings*, <http://www.asqa.gov.au/about/risk-based-regulation/provider-risk-ratings.html>, accessed 9 October 2015.

18 Australian Skills Quality Authority, *Provider risk ratings*, <http://www.asqa.gov.au/about/risk-based-regulation/provider-risk-ratings.html>, accessed 9 October 2015.

- there is such diversity across the sector and in the way education services are delivered
- there has been substantial growth across sectors in international student enrolments over the last year.¹⁹

5.21 However, this approach was also criticised, including by representatives of RTOs, for being inadequate in determining the level of quality a VET provider is delivering. For example, Ms Bond of the Guild Pharmacy Academy stated:

We [the Guild Pharmacy Academy] got audited three or four years ago. The guild has been identified as a low-risk organisation. We will not be audited for another two or three years. I could do anything within that period of time to my delivery, to what we do, to how we provide, to how we train and to how we assess, and ASQA would be completely unaware of it unless a complaint was made.²⁰

5.22 When asked by the committee whether ASQA is fit for purpose, Ms Bond responded: 'I do not believe so'.²¹

5.23 Other submitters, such as Adult Learning Australia, noted the problems inherent in compliance burdens in the regulatory environment being equally applied to all providers, regardless of size:

[Adult Learning Australia's] not for profit RTO members are currently suffering under the ever-growing burden of compliance that accompanies each new RTO. Many of these providers have operated in the same local community for decades, offering a very narrow scope of foundation skills and other entry-level qualifications. By any definition, they are low risk, and yet, their compliance burden continues to grow and is out of all proportion with the amount of public funding they receive and the amount of qualifications they issue.²²

5.24 Professor Lavarch of ASQA explained the authority's approach to regulating the industry in the following way:

The Australian system has been based over time on the regulation of training providers and not the regulation of individual students. The system as a whole is regulating over 4½ thousand-odd providers between the Commonwealth and the two state regulators rather than attempting to directly regulate the competencies of three million-odd students who have some contact with and move through the VET system each year. A consequence of that is that the focus of the system is on what I would call a

19 Department of Education and Training, *Regulation Impact Statement: Proposed changes to the Education Services for Overseas Students framework*, p. 32, http://parlinfo.aph.gov.au/parlInfo/download/legislation/ems/r5544_ems_340269af-8afc-4fc7-941b-9bd6e5274784/upload_pdf/503811RIS.pdf;fileType=application%2Fpdf, accessed 9 October 2015.

20 *Committee Hansard*, 2 September 2015, p. 38.

21 *Committee Hansard*, 2 September 2015, p. 38.

22 Adult Learning Australia, *Submission 35*, p. 6.

'cake making approach' rather than a 'cake tasting approach'. I will explain my analogy. Our system assumes that, if you get the ingredients right—that is, if you put together the generic requirements of the national standards and the requirements of the VET quality framework and combine that with the particular elements of the particular training package or the accredited course requirements—and they are delivered adequately and properly together then the cake that will be made will be of a decent quality. The system does not put direct focus on 'tasting the cake'; the system is not about testing independently the competencies held by individual students. Of course, you get reactions from the market in terms of the quality of the students. That manifests itself through the quality indicators—surveys of employers or the students themselves of how satisfied they are and feedback and the like in terms of the satisfaction of industry in terms of the attributes of graduates as they move into the system. But the individual student is not as such tested.²³

5.25 ASQA's figures show that, to the end of 2014, they had carried out 4387 audits, covering just over half (57%) of active RTOs.²⁴ Consequently, this means that 43% of RTOs in the Australian VET sector had not, as of 31 December 2014, been audited by ASQA.

5.26 Of those that had been audited, ASQA found a high percentage of non-compliance with the national Standards, with 74% of RTOs found to be non-compliant on one or more of the Standards on the initial audit.²⁵

5.27 While this number is high, given 20 days after the initial in which to rectify their compliance failings, all but 16% of RTOs were able to demonstrate complete compliance.²⁶

5.28 ASQA argues that this proportion of RTOs rapidly rectifying their non-compliance issues suggests that 'the majority of RTOs are, when provided with the opportunity, willing to quickly address non-compliance'.²⁷

5.29 The high initial level of non-compliance findings, however, suggests that RTOs have difficulty either understanding or applying the Standards until they receive a non-compliance finding at the time of their initial audit.

5.30 The evidence suggests that there are two unresolved questions. Why is non-compliance so high in the vocational education sector, and is this a cultural issue? Why is behaviour so much better in the non-university higher education sector where academic and commercial functions must be separated?

5.31 A further unresolved issue is that of the founding principles of national regulation in the vocational education sector. ASQA's role appears to be envisaged as

23 *Committee Hansard*, 16 July 2015, p. 54.

24 Australian Skills Quality Authority, *Submission 60*, p. 11.

25 Australian Skills Quality Authority, *Submission 60*, p. 11.

26 Australian Skills Quality Authority, *Submission 60*, p. 11.

27 Australian Skills Quality Authority, *Submission 60*, p. 11.

being more about accreditation and entry standards than quality standard assurance. This suggests that there may be a case for reviewing the principles underpinning the foundations of regulation in the vocational education sector. The committee is of the view that the powers and cultural mode of operation of ASQA must be called into question.

5.32 There is a clear contrast between the actions of the Commonwealth Government and that of the Victorian government. In Victoria the new government has acted to clean up a VET sector in crisis in that state, with the withdrawal of 8,000 qualifications, and the naming and shaming of providers, the recovery of public monies and is conducting a far reached review of VET quality and funding in that state.

5.33 The Commonwealth government has been slow to act. It has dithered for two years. New standards have only just come into effect as of 1 July 2015. Additional reforms to VET FEE-HELP come into effect on 1 January 2016, and the new Minister for Vocational Education has only just recently flagged additional legislation.

5.34 The committee heard evidence that no VET FEE-HELP provider has been called to account for their activities, and no provider has had their status revoked by the Department of Education and Training.²⁸

5.35 The committee also heard evidence to the effect that the Department of Education and Training does not do on-site visits or audits when determining whether a RTO is approved as a VET FEE-HELP provider.²⁹

5.36 The national regulator, the Australian Skills and Quality Authority, is diligent. It has highly competent public servants and the Chief Commissioner, Mr Chris Robinson, is highly respected. However ASQA, and the Department of Education and Training which regulates access to VET FEE-HELP, has faced severe challenges dealing with the abuses of some private providers. The committee is of a view that there is every reason to doubt that ASQA is fit for purpose, and that the regulatory architecture of VET may need a revamp. As the Chief Commissioner told Senate estimates in June, 'I work with the tools that I have'.³⁰

5.37 The committee is of a view that the Commonwealth government, the Department of Education and Training and the regulatory authorities have lacked appropriate agility in dealing with the exploitative practices that the rollout of state and Commonwealth demand driven entitlement schemes have produced.

5.38 It is great concern to the committee that the regulator has been accused of being a "paper tiger", or that respected economist, John Quiggin from the University of Queensland, has compared the performance of ASQA to that of the Queensland Greyhound Racing board:

28 *Committee Hansard*, 16 July 2015, p. 72.

29 *Committee Hansard*, 16 July 2015, p. 68.

30 *Estimates Hansard*, 3 June 2015, p. 83.

AQSA is a proven failure. It needs to be scrapped and its functions turned over to a body with some real teeth and a willingness to defend the interests of students and the public purse, rather than being a captive of the industry it is supposed to regulate.³¹

5.39 The evidence therefore emphasises that regulation of the private VET sector needs to balance some competing requirements, including ensuring that all providers are aware of and compliant with industry standards.

5.40 The committee notes that high-quality providers should not be overly burdened by regulatory requirements; however, the regulator's top priority should be ensuring that vocational education in Australia is of a high standard and adequately prepares its students for employment, and protects the community from the consequences of shoddy training.

Need for greater clarity and consistency of standards

5.41 A theme evident in the submissions of multiple witnesses was the shortcomings presented by the complexity of the regulatory framework in which the VET sector operates.³² Put simply, the system is complex and the lack of clarity may be contributing to some non-compliance.

5.42 From both providers and representatives of students, the argument was made that a simpler system, consistent across the country, would be to the advantage of all stakeholders in the VET system.

Compliance confusion

5.43 A point which emerged during this inquiry is that confusion exists amongst providers about the regulatory regime in which the sector operates. While clarification and standardisation of regulations was a broadly made recommendation, several submitters noted that the sector has suffered in recent years as a consequence of regular changes at the regulatory level.

5.44 For example, the Melbourne City Mission, an organisation that works with some of Melbourne's most disadvantaged people, including providing training opportunities, argued that:

In the past decade, the regulatory system has been characterised by constant policy and funding changes... The constant shifting of the rules that this creates causes significant (and often unmerited) administration pressure on small VET providers. In particular, the regulatory burden has a

³¹ John Quiggin, 'Some post-school education bodies we could do without', 1 October 2015, <http://johnquiggin.com/2015/10/01/some-post-school-education-bodies-we-could-do-without/>, accessed 7 October 2015.

³² Melbourne City Mission, *Submission 46*; The Institute of Learning Professionals, *Submission 22*; Mr Camm, Australian Council for Private Education and Training, *Committee Hansard* 16 July 2015; Ms Bond, Guild Pharmacy Academy, *Committee Hansard* 2 September 2015.

disproportionate impact on values-driven, not-for-profit community sector providers.³³

5.45 The Institute of Learning Professionals made a similar point, arguing that regulations applied to private VET providers are changed frequently but suffer from a lack of clarity and definition:

The tweaking and revision of standards with little published justification and/or shortcomings of former standards (four major changes to date) continues. Every new version sets the same standards as the previous version, just in slightly different wording: be a sound business, employ competent people, and look after your clients. The changes are always just different enough that RTO managers need to redesign forms, processes and systems...

Too many key terms like 'currency', 'industry expert', 'moderation' and 'volume of learning' appearing with no definitive definition as to what the term actually means. It only adds to the interpretation disparity by RTOs and the paperwork it produces. VET creates this language and terminology and then leaves it open to interpretation as to what it actually means.³⁴

5.46 It appears that confusion amongst providers may be contributing to some of the problems raised, and further that frequent regulatory changes may be worsening this situation. Even the many providers seeking to provide high-quality and fully compliant education and training may find the network of regulations difficult to abide by. If so, this should be addressed to give providers the best possible chance to comply.

5.47 Thus, in principle, the committee supports simplifying the regulatory system governing the VET sector and making it consistent across all states and territories. However the committee is unable to give full support to this given the recurring doubts raised about ASQA's capacity to adequately control the industry.

Transparency

5.48 Evidence provided suggests that quality concerns could be better managed for students by increased transparency surrounding providers. As the VET sector currently stands, students interested in undertaking a VET course may find it difficult to adequately check the reputation of a specific provider or compare the merits of competing providers, since there is no single source of information which allows students to assess different providers on a set of meaningful or useful criteria.

5.49 In considering this issue, Mr Rodney Camm, CEO of ACPET, opined:

The sector is a bit opaque. We want students to be able to understand the performance of a potential provider, whether it is around completion rates or job outcomes.

33 Melbourne City Mission, *Submission 46*, p. 8.

34 Institute of Learning Professionals, *Submission 22*, p. 6.

We want students to be able to select the courses which suit them and the provider which best suits them. Certainly, we think there is a range of information which is out in the public space but it might be too difficult for a student to find. So we think it should constantly be consolidated and I appreciate the MySkills initiative is a key part of that.³⁵

5.50 When asked about greater transparency, the MySkills website and other transparency measures which might contribute to, Mr Camm responded:

I think it is about what key pieces any reasonable student would want in order to compare a provider. I think it is certainly completion. I think enrolment numbers would be helpful, and certainly price, in relation to Senator Carr's question, and industry relationships—those sorts of things you should be able to pick up and find easily.³⁶

5.51 It was suggested to the committee that one way of managing this issue would be a more functional MySkills website. As Service Skills Australia noted:

While the MySkills website, launched in October 2012, was an important introduction in simplifying and centralising information for prospective students and despite its intention to be 'an integral part of the transparency agenda of the National Partnership Agreement on Skills Reform between the Commonwealth and the states and territories', it currently functions as little more than a web directory with little useful data on providers... While total VET activity reporting will be a registration requirement from 1 January 2015, thus leading to more complete figures... it is also not clear that this data will be terribly beneficial for student decision making. At present, the website data tab covers total enrolment numbers and student numbers by AQF level, age, field of education and gender. This information bears no relationship to the quality of the provider.³⁷

5.52 Service Skills Australia suggests that more useful information for potential students would be the provider's course outcomes and audit history, including data from the Student Outcomes Survey.³⁸

5.53 Ms Sue Bond, of the Guild Pharmacy Academy, argued that there needs to be a robust and comprehensive information system that provides both learners and employers with information about qualifications, funding and providers.

5.54 During the hearing, Ms Bond added:

At the moment, if I or my child or whoever were looking to become a pharmacy or dispensary assistant, the only information that is available is through the providers or My Skills. There is no organisation, body or source of information that actually determines whether that organisation provides quality training, what their completion rates are, what their outcomes are—

35 *Committee Hansard*, 16 July 2015, p. 10.

36 *Committee Hansard*, 16 July 2015, p. 13.

37 Service Skills Australia, *Submission 27*, p. 4.

38 Service Skills Australia, *Submission 27*, p. 4.

those sorts of measures, which I think would be very useful to both students and their families.³⁹

5.55 NCVER noted that one of the main trends internationally in VET sector regulation revolves around this point:

There are also definite moves to increase the transparency of information about the expectations and outcomes of service provision supporting consumer choice. Across systems and sectors transparency initiatives are promoted as ways of helping governments, systems, providers and clients make informed decisions. Nevertheless, what are considered to be traditional approaches to ensuring quality continue to operate (for example, defined curriculum and qualifications, external examinations, and inspections). The use of mechanisms to regulate and quality assure providers eligible for government funding is also used in voluntary systems, as in the United States.⁴⁰

5.56 Completion rates are often used in the sector to compare providers, or to comment on the industry more generally. However, this is a contested method, as Evocca College, a private provider, argued:

Recognising that students move in and out of the VET system for various reasons including – for example – because they have secured a job, means that completion rates as being reviewed by Government may need to be modified to take account of various other outcomes. Securing a job is of course a great outcome. Accordingly, the number of units completed instead of the number of qualifications may be a more robust measure to put in place.⁴¹

5.57 As noted by NCVER, while completion rates for VET courses may appear low:

One response to this is the argument that there are many students who do not need to complete their qualification as they acquire the skills they need without going through the entire curriculum of a qualification. For them, completion is not an issue.⁴²

5.58 However, NCVER's research challenged that argument, showing that:

Completion matters and therefore the overall low completion rate for the sector is a serious matter of concern... We cannot assume that students do not complete because they have got what they wanted out of the training. Our finding that the completion rates are not related to pay-offs from completion, together with some evidence that satisfaction with training is related to completion, suggests that providers need to pay better attention to their students. We cannot leave it to students to understand the benefit from

39 *Committee Hansard*, 2 September 2015, p. 35.

40 National Centre for Vocational Education Research, *Submission 19*, p. 5.

41 Evocca College, *Submission 20*, p. 12.

42 National Centre for Vocational Education Research, *The value of completing a VET qualification*, Occasional Paper, 2012, p. 3.

completion. An obvious incentive to improve completion rates would be to fund providers partly on completions rather than enrolments, as is currently the case.⁴³

5.59 The Institute of Learning Professionals suggested that problems with unclear information in the sector could be at least partially resolved by providers themselves:

Recommendation: RTOs to conduct exit interviews for all enrolments and publish their completion statistics on their websites.⁴⁴

5.60 Industry body ACPET also noted the benefits to students and quality providers of increased transparency of completion rates and other data:

ACPET would welcome the public scrutiny of student completion data for enrolments funded by VET FEE HELP loans. If such information was more readily accessible, consumers, regulators and policy direction could focus on supporting successful providers and removing ineffective providers.⁴⁵

5.61 The committee notes evidence that suggests that students, providers and employers alike would benefit from increased transparency in the VET sector. Students would find it easier to compare different providers offering the same courses, while quality providers would be able to demonstrate their strengths and employers would have a more meaningful way of assessing the worth of qualifications of job applicants, as well as being able to make informed decisions about which courses might benefit their employees in terms of retraining or upskilling.

Changes to the operation of VET FEE-HELP

Census dates

5.62 Witnesses and submitters to this inquiry consistently made the point that the existing system of a single census date – at which a student's fee liability is incurred – can cause substantial problems for students.⁴⁶

5.63 Evidence was provided that suggested that some private RTOs place deliberate blocks in the way of students intending to withdraw from their course, making it difficult for them to do so.⁴⁷ This means that the student incurs the debt and the provider is paid accordingly.

5.64 The committee notes that the new Standards for RTOs, in effect from 1 January 2015, have introduced a system of four census dates for VET FEE-HELP eligible courses.

43 National Centre for Vocational Education Research, *The value of completing a VET qualification*, Occasional Paper, 2012, p. 25.

44 Institute of Learning Professionals, *Submission 22*, p. 6.

45 Australian Council for Private Education and Training, *Submission 28*, p. 18.

46 TAFE Community Alliance, *Submission 31*, p. 4; Consumer Action Law Centre, *Submission 13*, p. 14; Redfern Legal Centre, *Submission 16*, p. 1.

47 Penny Martin, *Submission 50*, p. 3;

5.65 The Redfern Legal Centre noted that this change could address some of the problems which had been seen in the area:

It certainly removes the incentive just to sign up a high volume of students with no focus on ongoing student welfare and, really, no consideration of whether or not they finish the course. I think the staggered approach to payment of portions of the fees as the course is completed is a much better approach. The incentive is there for the colleges to ensure the students complete the course, not just to get them to sign up, and that is crucial.⁴⁸

5.66 The Department of Education and Training further noted in their evidence that the government intends to further regulate in this area to prevent behaviour evident under the existing system:

From 1 January 2016, it is also proposed that students receive invoices from providers before each census date, ensuring they have all the information they need to make study and payment decisions. Providers must ensure there are no barriers to a student being able to withdraw from a VET unit on or before the census date for that unit, including no withdrawal fees. Under proposed legislative changes from January 2016, the government will make it easier for students to remove any VET FEE-HELP debt which is unfairly applied in breach of the new guidelines, with the minister able to remit the debt in this circumstance at the training provider's expense.⁴⁹

5.67 A further solution suggested by some witnesses was that providers should be paid via VET FEE-HELP upon the completion of units, rather than at the time on enrolment.

5.68 The Spectrum Organisation noted that a shift to this system would put VET FEE-HELP:

in line with other funding types of funding from the state governments. Paying upfront before anything has been delivered or completed is a recipe for disaster.⁵⁰

5.69 The committee notes the problems associated with census dates and is concerned by evidence provided that students are prevented from withdrawing from courses. In principle, a pay on completion system appears to be a solution worth exploring as a way to combat this problem.

Ombudsman

5.70 The committee noted from evidence received that disputes between students and providers cause significant levels of stress and difficulty for students. The addition of a dedicated office to assist with dispute resolution for students with complaints against RTOs would therefore have the potential to assist in this process.

48 *Committee Hansard*, 16 July 2015, p. 23.

49 *Committee Hansard*, 16 July 2015, p. 64.

50 The Spectrum Organisation, *Submission 64*, p. 5.

5.71 Currently, international students have access to the Overseas Students Ombudsman (OSO), a function of the Commonwealth Ombudsman's office. The OSO has three roles:

- investigating individual complaints about the actions or decisions of private registered education providers in connection with intending, current or former overseas students;
- working with private registered education providers to promote best practice handling of overseas students' complaints; and
- reporting on trends and broader issues that arise from complaint investigations.⁵¹

5.72 A recommendation made by numerous witnesses throughout the course of this inquiry was that domestic students of VET providers would benefit from having a specifically focused Ombudsman to assist with resolving complaints.⁵²

5.73 One such recommendation came from ACPET:

ACPET advocates for a national consumer-focused complaint handling process for students and providers to complement the new National Training Complaints Hotline, as existing ombudsman arrangements focus either on government owned providers or international student issues.

APCET believes such a scheme would result in a number of major benefits: improved industry image, cost effective resolution option, improved communication, early warnings to regulators and market research for the sector.

To date, VET regulators (ASQA, VRQA, and TAC) have had limited capacity to focus on complaints, and responses are limited to formal processes such as audits, informing risk assessments and strategic reviews for the sector, thus not directly resolving the complaint. The new National Complaints hotline will not investigate complaints; as it is a referral service to other agencies for their consideration.⁵³

5.74 The Consumer Action Law Centre also supported this, indicating:

A key feature of the student remediation framework should be a national industry ombudsman that would independently resolve disputes between students and training providers at no cost to students or the taxpayer. At the moment, disputes between private colleges and international students can be heard by the Commonwealth's Overseas Students Ombudsman but no such process exists for domestic students. We note that the review of quality assurance in Victoria's VET system recently recommended the establishment of such a body. The Victorian government has committed to introduce in 2016 a new body to resolve student complaints. In South

51 Overseas Students Ombudsman, *Submission 65*, p. 2.

52 Australian Council for Private Education and Training, *Submission 28*; Consumer Action Law Centre; Redfern Legal Centre.

53 Australian Council for Private Education and Training, *Submission 28*, p. 16.

Australia, which already operates a training advocate, the Minister for Employment, Higher Education and Skills, Gail Gago, has expressed her support for a national industry ombudsman to streamline the handling of complaints. That is particularly important in the case of private RTOs that are providing services.⁵⁴

5.75 The Redfern Legal Centre noted that the very existence of an Ombudsman in the VET sector could have a behaviour-modifying effect:

Senator O'NEILL: If there were an ombudsman for students to be able to report and automatically that triggered a response from the RTO where they might not only have to return the fee that they received but a penalty, do you believe that would impact on the behaviours you are seeing experienced by your clients?

Mr Dwyer: Certainly. I think it would be a really good disincentive for this sort of conduct.⁵⁵

5.76 It was further suggested by witnesses that the proposed Ombudsman should be industry-funded and the committee expressed interest in why this would be preferable. Ms Denise Boyd of the Consumer Action Law Centre said:

We have actually had relatively positive experiences—I would not say it is across the board, and there are always issues. Certainly, we think that an industry ombudsman scheme can provide effective accessible dispute resolution. One of the attractive aspects of it is that it does not cost the taxpayer. It is an industry funded scheme. Because it is funded by industry, the industry sector itself therefore has a financial incentive to minimise consumer disputes.⁵⁶

5.77 The committee notes the case made for a dedicated VET sector Ombudsman to assist with dispute resolution, along with other functions such as those carried out by the Overseas Students Ombudsman.

Recommendation 14

5.78 The committee recommends that the underpinning legislation for the Australian Skills Quality Authority be revamped in order to give the regulator sufficient powers to adequately regulate the Vocational Education and Training sector, to protect the rights of students and to act more firmly and quickly to stamp out abuses.

Recommendation 15

5.79 The committee further recommends that the Australian Skills Quality Authority improves its processes to enable it to more swiftly share information

54 *Committee Hansard*, 2 September 2015, p. 10.

55 *Committee Hansard*, 16 July 2015, p. 24.

56 *Committee Hansard*, 2 September 2015, p. 12.

with other levels of government, regulators, government departments and law enforcement agencies.

Recommendation 16

5.80 The committee recommends that an Ombudsman focused on domestic students in the VET sector be created, and further suggests that this position be industry-funded.

Senator Sue Lines

Chair

Coalition Senators' Minority Report

Introduction

1.1 Government Senators acknowledge the vital role of the VET sector in building a skilled and productive workforce for Australia's future and are concerned that the reputation of the majority of VET providers being tarnished by the behaviour of a few, as supported by witnesses during a hearing for this inquiry:

I certainly believe that there are quality issues, but they are at the margins of the industry. If you look at the numbers, the majority are delivering a quality product and are doing the right thing. But that is not to say that there have been no problems.¹

It is unfortunate that a few bad apples that make the front page or lead story taint the rest of the VET sector.²

1.2 During this inquiry the Committee has heard some very disturbing stories about the unscrupulous behavior of some training providers, using high pressure sales tactics to prey on the vulnerable in society, leaving students with a lifetime of unwanted debt that may never be repaid and taxpayers with increasing liabilities. For example:

We have seen a deliberate targeting of acutely vulnerable people, particularly those living in high-density public housing in the Redfern-Waterloo area of inner Sydney. Also, we have seen marketing agents approaching people directly outside Centrelink offices in Redfern. The marketing agents have promoted the courses as free or government funded, which is misleading, and they have offered laptops and iPads as inducements for people to sign up to VET FEE-HELP loans.³

We are deeply concerned about aggressive marketing tactics that target consumers who do not have the aptitude or ability to complete VET courses....We have received reports of education brokers in particular cold calling or door-knocking potential students and pushing them to enrol in unsuitable courses over the phone or on their doorstep.⁴

1.3 There were more than 30 complaints to the Department of Education about VET FEE HELP between 2011 and 2013. Labor was told about the problems from the start, but took no action.

1 Mr Rodney Camm, Chief Executive Officer, Australian Council for Private Education and Training, Committee Proof Hansard, 16 July 2015, p. 11.

2 Mr Stephen Bolton, Senior Advisor, Australian Chamber of Commerce and Industry, *Proof Committee Hansard*, 16 July 2015, p.46.

3 Mr William Dwyer, Redfern Legal Centre, *Committee Proof Hansard*, 16 July 2015, p. 19.

4 Consumer Law Action Centre, *Submission 13*, pp. 18-9.

1.4 Other complaints have emerged from the public, including where a student who wanted to change providers so they did not have to do the course online, discovered that they had already been charged the full debt load up front. A second student enrolled themselves in an online course, but wound up with no online access and a \$20k debt. Another student was told the course was “free” but wound up with thousands of dollars in debt.

1.5 Government Senators condemn this unconscionable behavior which has served to damage the reputation of the VET industry and negatively affected public perceptions of the quality of training that is provided by the majority of providers in the vocational education sector.

Government Response

1.6 In response to these serious concerns the Government has acted swiftly as it recognises the vital importance of maintaining public confidence in the VET system to protect vulnerable students from the actions of unscrupulous operators and to prevent taxpayers being burdened from cost blow outs.

1.7 The Government’s reforms address all of these issues to protect students, taxpayers and the reputation of the sector

1.8 Earlier this year, the Government introduced its VET reforms by banning the use of inducements (eg free iPads/laptops) and banning marketers from misleading students and signing them up to the VET FEE-HELP loan scheme after purporting that courses are “free” or “government-funded”.

1.9 The Government has already: introduced tough new standards for registered training organisations; committed more funding to the Australian Skills Quality Authority (ASQA) to implement the new standards; and introduced new laws which enable regulators to act more swiftly when addressing quality concerns.⁵

Labor’s Failures in the VET sector

1.10 Government Senators are concerned that the Committee Report fails to acknowledge Labor’s poor design of the VET FEE-HELP programme, first introduced in 2008 then expanded in 2012, and hold Labor to account:

5 Department of Education and Training, VET FEE-HELP Reform Factsheet, 3 July 2015, http://studyassist.gov.au/sites/StudyAssist/HELPPayingMyFees/VET-FEE-HELP/Documents/VET%20FEE%20HELP%20Reforms%20Factsheet%20Update_05_ACC.pdf, accessed 15 October 2015.

Many of these quality issues were due to the policy implementation of the new funding models being a step ahead of the regulatory improvements that we now see coming into play.⁶

1.11 Labor, working with The Greens, has sought to politicise this inquiry instead of working together with the Government to implement the necessary legislative changes and fails to adequately acknowledge the practical steps the Coalition has taken to reform the VET FEE-HELP programme since coming into office.

1.12 All of the Government's reforms to VET FEE-HELP have been necessary because the previous Labor Government failed to put in place appropriate compliance arrangements that stopped providers or brokers from using exploitative practices to take advantage of vulnerable students and burden the taxpayer.

1.13 Access to VET FEE-HELP was expanded in 2012 but the Government of the day failed to put in place a dedicated compliance strategy, as reported in *The Australian*:

That (expansion) precipitated unprecedented examples of unethical student recruitment practices and astronomical fees as dodgy operators jumped into a new and easy government-supplied pool of money.⁷

1.14 It has been concerning that Labor has yet to commit to supporting the Government's reforms and amendments. Their inaction in the VET sector has most likely cost students, employers, and taxpayers hundreds of millions of dollars for skills training that failed to deliver real outcomes. Senator Carr recognised this when he commented in the *Canberra Times* that:

Labor introduced VET FEE HELP with good intentions but the scheme contains 'fundamental weaknesses' that need to be fixed. The scheme has allowed too many for-profit companies to access government subsidies and regulators were not given enough power to crack down on rogue operators.⁸

1.15 The Committee Report describes the "good intentions" behind the introduction VET FEE-HELP but fails to analyse the flaws of the policy which allowed this unsustainable situation to develop:

6 Mr Stephen Bolton, Senior Advisor, Australian Chamber of Commerce and Industry, *Proof Committee Hansard*, 16 July 2015, p.47.

7 'ASQA no toothless tiger', *The Australian*, 17 June 2015, <http://www.theaustralian.com.au/higher-education/asqa-no-toothless-tiger-says-chris-robinson/story-e6frgcjx-1227401073349>, accessed 15 October 2015.

8 'Kim Carr says Labor's vocational loan scheme 'fundamentally flawed'', *The Canberra Times*, 18 September 2015, <http://www.canberratimes.com.au/federal-politics/political-news/kim-carr-labor-says-its-vocational-loan-scheme-fundamentally-flawed-20150917-gjpf6o.html>, accessed 15 October 2015.

The intention behind VET FEE-HELP was to make available for students options which otherwise they might not have, particularly for financial reasons.⁹

1.16 Coalition Senators agree that while these were worthy aspirations, without the right regulations in place to protect students and taxpayers from rogue operators, these “good intentions” have not resulted in the desired outcome due to poor programme delivery and design.

1.17 It is also disappointing to note that Senator Carr was reported as saying that he believes it is now the Government’s responsibility to restore confidence in the VET FEE-HELP scheme which was introduced by a previous Labor government.¹⁰

Coalition Government Reforms to strengthen VET and VET FEE-HELP

1.18 The Government has acted to enhance the operation of the VET sector and VET FEE-HELP and will not tolerate further abuses of the system. In announcing the reforms to VET FEE-HELP the then Assistant Minister for Education and Training, Senator Birmingham said:

We will be monitoring the effectiveness of these measures closely and reviewing the program again within two years. Training providers should consider themselves to have been placed on notice that further abuse of the program will result in even harsher measures.¹¹

1.19 The Government has acted to improve the quality of training in the VET sector by:

- Introducing tough new standards for all registered training organisations from April 2015;
- Committing a further \$68 million to the national regulator the Australian Skills Quality Authority (ASQA) to maintain our strong reputation both at home and overseas, for delivering high-quality training;
- Introducing with the states and territories the National Training Complaints Hotline (13 38 73) to make it easier for complaints to be heard and actioned; and
- Supporting the Australian Competition and Consumer Commission’s (ACCC) investigation into VET FEE-HELP complaints.

9 Committee Report, p. 11.

10 'Kim Carr says Labor's vocational loan scheme 'fundamentally flawed'', *The Canberra Times*, 18 September 2015, <http://www.canberratimes.com.au/federal-politics/political-news/kim-carr-labor-says-its-vocational-loan-scheme-fundamentally-flawed-20150917-gjpf6o.html>, accessed 15 October 2015.

11 Senator the Hon Simon Birmingham, Media Release, 'Government targets VET FEE-HELP scammers', 12 March 2015, <https://ministers.education.gov.au/birmingham/government-targets-vet-fee-help-scammers>, accessed 15 October 2015.

1.20 In terms of VET FEE-HELP (VFH) a series of measures have been introduced, including:

1. Banning inducements to students under the VFH loan scheme;
2. Tightening VET marketing and recruitment practices;
3. Improving the understanding of how VFH operates and student right and obligations;
4. Strengthening the debt waiver and revocation processes for students under VFH;
5. Strengthening the assessment criteria for, and ongoing scrutiny of, all training providers;
6. Ensuring student debt is incurred in line with course delivery;
7. Establishing minimum pre-requisite and prior education qualifications, including demonstrated literacy and numeracy requirements; and
8. Enhancing training and outcomes information, allowing students to make more informed choices about training providers and courses.

1.21 The Government has acted to swiftly implement these reforms: from 1 April 2015 inducements were banned (eg free laptops/iPads/) and from 1 July 2015 the VET Guidelines were changed with immediate effect to include:

- banning withdrawal fees, which stopped students from cancelling from a course before they incurred a loan;
- making providers responsible for the actions of their agents and disclosing which agents they use; and
- banning marketers from misleading students that VET FEE-HELP made courses “free” or “government-funded”.

1.22 Further changes will come into effect from 1 January 2016 so VET providers will:

- not be allowed to charge a student the total course tuition fees in one up-front hit - this will result in students only incurring a debt as they progress through a course;
- have to issue a student with a VET FEE-HELP Invoice Notice at least 14 days prior to each census date for a VET unit of study - this will ensure students are fully aware of the debts they may incur after the census date; and
- not accept a VET FEE-HELP loan request from a student until a two-day ‘cooling off’ period has elapsed after enrolment. This will help stop the high pressure sales tactics that saw people enrolling in a course and taking out a loan at the same time.
- require a parent’s or guardian’s signature before a student under 18 years can request a VFH loan (with exemption for minors considered independent under the Social Security Act 1991).

1.23 The Government will shortly introduce amendments to legislation to implement these reforms.

1.24 The Bill will also further protect students and taxpayers by:

- Making it easier for a student to have their debt cancelled where they have been signed up for a loan inappropriately (a cost that will be recouped from providers to protect taxpayers);
- Introducing minimum registration and trading history requirements for new VFH provider applicants to ensure those approved have a proven history of delivering quality training;
- Introducing infringement notices attached to civil penalties for breaches of the VFH Guidelines; and
- Technical amendments to strengthen the Department's administration of the scheme and its partnerships with Australian Quality Skills Authority to monitor and enforce compliance.
- Coalition Senators commend the government for its proactive approach and call on Greens and Labor to support it.

Student and Employer Choice in Training

1.25 The Coalition supports all high quality training providers, regardless of whether they are TAFE, community colleges or private providers.

1.26 Despite the recent challenges faced in the VET sector, Coalition Senators are not in favour of reducing student and employer choice in the market and allocating a certain proportion of funds solely to TAFE providers; as supported witnesses:

One of the key components of an industry-led, demand driven VET system is that it is flexible and responsive. Flexibility in training delivery is essential for lowering the overall costs of training to both industry and the individual....More competitive market arrangements encourage providers, including TAFE, to deliver more flexible options. As the VET sector has evolved, the needs of the client cohort have also evolved significantly.¹²

It [student choice] has opened up the VET market to a great many people who previously would not have been able to access training. Previously, VET was almost solely the regime of apprentices and government employees and the realm of the big utilities. It has really opened up the sector to a much broader range of people.¹³

The private providers see niches and they work in smaller regional areas. They should have the opportunity to make it available for students in that particular area. For example, we go to small towns which have populations

12 Mr Stephen Bolton, Senior Advisor, Australian Chamber of Commerce and Industry, *Proof Committee Hansard*, 16 July 2015, p.46.

13 Mr Stephen Bolton, ACCI, *Proof Committee Hansard*, 16 July 2015, p.51.

of 300 or 400. The government cannot necessarily put a TAFE centre there or a university there.¹⁴

1.27 Labor also supported student and employer choice in vocational training when it established the National Partnership Agreement (NPA) on Skills Reform with all states and territories in 2012. The NPA required all state and territory governments to commit to reforms including greater competition and contestability.

1.28 The Shadow Minister for Vocational Education, Sharon Bird MP, has announced Labor's VET election policy is to have a fireside chat with the states and territories to get agreement on a dedicated proportion of funding from the Commonwealth for TAFEs.

1.29 At its recent National Conference, Labor walked away from its own reforms under the 2012 NPA by amending the platform to "rebalance the contestable funding model to ensure that priority funds are allocated to TAFEs..." Funds that are guaranteed to one type of provider are not "contestable".

1.30 As yet, there have been no details released about this policy, such as the proportion of funding allocated to TAFEs. The Australian Education Union has proposed that 70% of Government funding go to TAFE¹⁵ however there are serious concerns about having such a fixed, inflexible approach to funding arrangements, as outlined by the Australian Chamber of Commerce and Industry:

...TAFE does not own quality in the VET sector, and I think it would be very dangerous to curtail the sector by only allowing 30 per cent of it to flow through to the majority of private providers out there.¹⁶

1.31 A concerning example in South Australia, which shows how far a Labour government will go to reduce student choice in the market, is the Weatherill Government announcing a new policy, *WorkReady*, which provides 90% of new subsidised training places only to TAFE.

1.32 This new policy is detrimental to the needs of students who want specialist industry training and ignores the needs of those living in regional areas with the nearest TAFE hundreds of kilometres away. This policy has already resulted in 176

14 Mr Amjad Khanche, Chief Executive, Australian Institute of Professional Education, *Proof Committee Hansard*, 16 July 2015, p. 5.

15 Australian Education Union, *Submission 62* and Australian Education Union Victoria, Media Release, 'Statewide EBA first step in rebuilding TAFE', 11 August 2015, <http://www.aeuvic.asn.au/77860.html>, accessed 15 October 2015.

16 Mr Stephen Bolton, ACCI, *Proof Committee Hansard*, 16 July 2015, p.53.

job losses, with a possible 147 further losses in the next six months, and an unknown problem into the future as a result of skills shortages.¹⁷

Conclusion

1.33 Coalition Senators urge Labor and The Greens to support the Government reforms to the VET sector which have been strongly supported by stakeholders and address many of the concerns raised in evidence and recommended by the Committee. As noted by Study Group Australia:

SGA is of the opinion that, similar to what happened in the international education space, appropriate strong regulation, coupled with robust codes of practice and ethical conduct requirements will ensure the sector moves forward after a rather rocky start.¹⁸

The Australian education system, including VET, is a world recognised brand well known for its quality and desirability of a qualification delivered at an Australian standard. Indeed many nations aspire to having a vocation education and training system like ours.¹⁹

1.34 Government Senators do not support the recommendation for a further review (Recommendation 1, Chapter 2) as a number of reviews, including this one, have already been held or are pending, for example:

- The Government appointed a VET Reform Working Group, made up of representatives of students, consumer advocates, employers and providers, to help inform implementation of the reforms. In addition, specific consultations were held by the Department.
- The Auditor-General has requested that a performance audit of VET FEE-HELP be included in the Australian National Audit Office's (ANAO) 2015-2016 work program, as requested by Labor.²⁰
- The Government has also appointed a VET Training and Assessment Working Group to consider options to strengthen the quality of training and assessment outcomes so as to maintain student and employer confidence in VET qualifications.
- The Government has announced it will review VET FEE-HELP in 2016-17.

17 'Jobs go as trainers shut doors', Adelaide Advertiser, 31 August 2015, <http://www.adelaidenow.com.au/news/south-australia/workready-hundreds-of-private-training-jobs-at-risk-in-reform/story-fni6uo1m-1227505071406>, accessed 15 October 2015.

18 Study Group Australia, *Submission 21*, p. 6.

19 Mr Stephen Bolton, ACCI, *Proof Committee Hansard*, 16 July 2015, p.46.

20 Sharon Bird MP, Media Release, 'Labor welcomes Auditor-General's response to request for VET FEE-HELP investigation', 8 January 2015, http://www.sharonbird.com.au/labor_welcomes_auditor_general_s_reponse_to_request_for_vet_fee_help_investigation, accessed 15 October 2015.

1.35 While there is more work to be done, the prompt response of the Government so far to the issues raised during this Inquiry is addressing the behaviour of unscrupulous VET FEE-HELP providers, protecting vulnerable students from bearing the cost of a lifetime of debt and aims to restore the integrity of Australia's VET sector.

Senator McKenzie

Deputy Chair

Australian Greens' Additional Comments

1.1 The Australian Greens are deeply committed to a strong, well-funded, public vocational education and training sector. We have long argued that vocational education and training (VET) should be primarily provided through the public TAFE system, while the community and not-for-profit VET sector should also be supported in providing education and training where TAFE cannot achieve the same outcomes. These commitments come from beliefs that education is principally a public good and that everyone is entitled to free, well-funded and high quality, life-long public education and training.

1.2 The 2013-14 inquiry into technical and further education in Australia found that major and continuing cuts in government funding to the TAFE sector around Australia under both Labor and Coalition governments, coupled with the diversion of substantial public funding from TAFE to private for-profit Registered Training Organisations (RTOs) under the contestability model, has resulted in a funding crisis for TAFE institutes across the country, with major losses of staff, resources and infrastructure. The inquiry also found that the substantial amounts of public funding now available to private providers as contestable funding has resulted in an 'explosion' of private providers delivering cheap-to-run qualifications that are not meeting skills needs of employers or students.

1.3 We have long suspected that the underlying cause of these serious problems is the contestability model of funding for VET provision. The contestability model rests on the assumption that education is a commodity that should be bought and sold in order to produce the most 'efficient' outcomes. This inquiry has successfully tested this assumption and found it to be false and therefore the contestability model has been found to be fundamentally flawed.

1.4 The Committee's majority report correctly notes that VET provision should be designed in the name of social justice. This is essential because the most vulnerable have been exploited to enrich individuals under current arrangements. The Committee's majority report also notes that the current VET FEE-HELP funding arrangements are probably not achieving the objectives of the VET sector. We agree with these assessments but argue the recommendations do not address the root causes of the problems detailed in the submissions.

1.5 The exploitation and waste documented by the inquiry was predictable given the nature of market-based policies. The National Tertiary Education Union pointed to the Victorian experiment:

While the deregulated system has led to very impressive growth in student enrolments, it also has had negative consequences, particularly in terms of meeting skills shortages and in workforce training and productivity.¹

1 National Tertiary Education Union, *Submission 29*, p. 2

1.6 The Consumer Action Law Centre argued:

Corporate private VET providers are obliged to act in the interest of the company, which means generating returns for shareholders is a priority. While not mutually exclusive to teaching and learning, scholarship and quality education, this clearly creates a tension between acting in the best interests of students (which often involves capital expenditure on support services) and maximising profits.²

1.7 The University of Sydney Workplace Research Centre pointed to tensions between the incentives of the VET FEE-HELP scheme and sound educational choices:

As a business model, for-profit training provision is currently supported by strong demand-side factors, driven by the continued rollout of VET entitlement funding and extension of VET FEE-HELP, and underpinned by educational policy targeting higher levels of skills and qualifications, and increasing credentialism across the labour market... The profit maximisation principles of these providers (and the primacy of shareholder and owner interests) provide strong incentives to offer training which attracts the highest subsidy, at the lowest cost.³

1.8 Even the Australian Chamber of Commerce and Industry admitted that the needs of students and employers were not always the top priority for some training providers:

There is no doubt that course offerings and training behaviour is driven by government funding provision, and although this does not always deliver a bad outcome, there is sufficient evidence that the needs of students and employers are not always the top priority for some training providers... Basing training course offerings on what funding is available has led to a distinct disconnect between the types of courses being offered by RTOs and the types of skills in demand by employers.⁴

1.9 The problems documented by the inquiry are widespread and systemic. A review from the Australian Skills Quality Authority (ASQA) in 2013 found 45.4% of RTOs investigated had probably been in breach of national standards and/or consumer and fair trading legislation. As at February 2015, ASQA had classified 30.8% of RTOs as having a high or medium risk of breaching standards. Similarly, Australian Education Union Federal TAFE Secretary Pat Forward noted:

There is a system whereby providers are required to register in order to deliver national qualifications. At the same time, we have a system that allows registered training organisations to subcontract delivery to organisations which are not registered. Is it widespread? My understanding

2 Consumer Action Law Centre, *Submission 13*, pp. 6-7.

3 Workplace Research Centre, commissioned by Australian Education Union, *Submission 62*, appendix p. 26.

4 Australian Chamber of Commerce and Industry, *Submission 36*, p. 6.

is that it is. The subcontracting of delivery occurs in, at least, all of the eastern seaboard states.⁵

1.10 This pattern cannot be said to be aberrations or the result of a few bad apples.

1.11 The report recognises the systemic failure of a market-based approach and recommends that these policies should not be extended to higher education. The report correctly notes that the failed approaches seen in VET poses unacceptable risks to the reputation of Australian higher education more broadly. Surely if a market-based approach is irreparably harmful for higher education, it should be abandoned in the VET sector.

1.12 The Committee's recommendations do not address the root causes of these problems. While they might ameliorate the most egregious abuses, market-based approaches will always set up a tension between doing the right thing by students and staff, and maximising profits. The Australian Greens' recommendations seek to remove that tension by aligning the interests of students, teachers and VET providers.

Recommendation 1

1.13 Abolishing the contestability model of funding. Education should not be treated as a commodity and market-based approaches will not achieve the goals of the VET sector. Therefore adequate public funds should be guaranteed to public institutions to remove the competition incentives and the associated race to the bottom in terms of quality and costs.

Recommendation 2

1.14 Capping funding to private RTOs to ensure the primacy of public education. If the contestability model remains, the proportion of funds allocated contestably should be capped at 15%, with TAFE guaranteed secure access to at least 85% of all funds allocated to each course code. No private provider should be funded for any course that TAFE can provide. This will at least shield TAFE from the worst aspects of contestability and ensure some stability for the sector.

Recommendation 3

1.15 Eliminating public funding for-profit private providers. Government support should only be given to institutions which can guarantee that student and staff interests come first. Funding is scarce and should be spent where it will do the most good for the community. Public funds should not be subsidising the profits of private providers.

Recommendation 4

5 *Committee Hansard*, 2 September 2015, pp. 4-5.

1.16 Banning brokers to reduce perverse incentives. While the Committee's majority report recommends the government cap or otherwise regulate the level of fees paid to brokers at a maximum of 15% of the loan, this will not remove the perverse incentive for brokers to act against the interests of the potential student. Regardless of the payment system, the whole practice of brokering exacerbates the tension between profit maximisation and student interests that private providers already have difficulty negotiating.

Senator Rhiannon

APPENDIX 1

Submissions received

- 1 Australian Human Rights Commission
- 2 Rivercity Consulting Pty Ltd
- 3 Innovation & Business Skills Australia
- 4 Careers Australia
- 5 Mr Paul Roberts-Thomson
- 6 L. Harasymiv
- 7 Mr Russell Patterson
- 8 Ivy College
- 9 Mr Martin Poole
- 10 The Australian Institute of Professional Education (AIPE)
- 11 Mr Andrew Norton
- 12 TAFE Directors Australia
- 13 Consumer Action Law Centre (Consumer Action)
- 14 Electrical Trades Union
- 15 Housing Industry Association Ltd.
- 16 Redfern Legal Centre
- 17 TITAB Australia Cabler Registry Services
- 18 UnionsWA
- 19 National Centre for Vocational Education Research (NCVER)
- 20 Evocca College
- 21 Study Group Australia
- 22 Institute of Learning Professionals
- 23 Dr Don Gillies

- 24 Australian Institute of Fitness
- 25 Speech Pathology Australia
- 26 Acquire Learning
- 27 Service Skills Australia
- 28 Australian Council for Private Education and Training (ACPET)
- 29 National Tertiary Education Union
- 30 The Australian Industry Group
- 31 TAFE Community Alliance
- 32 The College for Adult Learning
- 33 Women in Adult and Vocational Education (WAVE)
- 34 Real Estate Institute of Australia
- 35 Adult Learning Australia
- 36 Australian Chamber of Commerce and Industry (ACCI)
- 37 Kenvale College
- 38 Australian Council of Trade Unions (ACTU)
- 39 Victorian Automobile Chamber of Commerce
- 40 The Brotherhood of St Laurence
- 41 Community Colleges Australia
- 42 E-Oz Energy Skills Australia
- 43 Australian Digital & Telecommunications Industry Association Inc
- 44 Early Childhood Australia
- 45 United Voice
- 46 Melbourne City Mission
- 47 The University of Melbourne, Melbourne Graduate School of Education
- 48 Department of Education and Training
- 49 Government of Western Australia, Department of Education

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- 50 Ms Penny Martin
- 51 Mr Bruce Alexander
- 52 Mr Phillip Barns
- 53 Ms Lorraine Watson
- 54 Encompass Community Services Inc.
- 55 Canterbury Bankstown Migrant Interagency
- 56 Ms Karen Kearns
- 57 Name Withheld
- 58 Ms Rania Sultan
- 59 Australian Catholic University
- 60 Australian Skills Quality Authority
- 61 Inclusion Australia
- 62 Australian Education Union
- 63 Ms Wendy Blair
- 64 The Spectrum Organization
- 65 Overseas Students Ombudsman
- 66 College of Event Management
- 67 Healthy Business Training Academy
- 68 Mr Kevin Bell
- 69 Mr Marco Campos-Saez
- 70 The Australasian College, Broadway
- 71 Mr Julian Sortland
- 72 Confidential
- 73 Mrs Julie Skinner
- 74 Confidential
- 75 Name Withheld

- 76 Mr Henry Joyce
- 77 Ms Lauren Coward
- 78 Confidential
- 79 Ms Marietta Cully
- 80 Victorian Government
- 81 Ms Kacie Mackay
- 82 Ms Katie Herbert
- 83 Ms Josephine Garmeister
- 84 Confidential
- 85 Confidential
- 86 Confidential
- 87 Confidential
- 88 Ms Raphell Poole
- 89 Name Withheld

Responses to Questions on Notice

- 1 Answer to Question on Notice by the Australian Institute of Professional Education at a public hearing on 16 July 2015, Sydney
- 2 Answer to Question on Notice by Redfern Legal Centre at a public hearing on 16 July 2015, Sydney
- 3 Answer to Question on Notice by the Overseas Student Ombudsman at a public hearing on 16 July 2015, Sydney
- 4 Answer to Question on Notice by the Overseas Student Ombudsman at a public hearing on 16 July 2015, Sydney
- 5 Answer to Question on Notice by the Overseas Student Ombudsman at a public hearing on 16 July 2015, Sydney
- 6 Answer to Question on Notice by the Overseas Student Ombudsman at a public hearing on 16 July 2015, Sydney
- 7 Answer to Question on Notice by the Australian Council of Trades Union at a public hearing on 16 July 2015, Sydney

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- 8 Answer to Question on Notice by the Australian Council of Trades Union at a public hearing on 16 July 2015, Sydney
 - 9 Answer to Question on Notice by the Australian Council of Trades Union at a public hearing on 16 July 2015, Sydney
 - 10 Answer to Question on Notice by the Australian Council of Trades Union at a public hearing on 16 July 2015, Sydney
 - 11 Answer to written Question on Notice by Australian Skills Quality Authority from a public hearing on 16 July 2015, Sydney
 - 12 Answer to Question on Notice by the Department of Education and Training at a public hearing on 16 July 2015, Sydney
 - 13 Answer to Question on Notice by the Department of Education and Training at a public hearing on 16 July 2015, Sydney
 - 14 Answer to Question on Notice by the Department of Education and Training at a public hearing on 16 July 2015, Sydney
 - 15 Answer to Question on Notice by the Department of Education and Training at a public hearing on 16 July 2015, Sydney
 - 16 Answer to Question on Notice by the Department of Education and Training at a public hearing on 16 July 2015, Sydney
 - 17 Answer to Question on Notice by the Department of Education and Training at a public hearing on 16 July 2015, Sydney
 - 18 Answer to Question on Notice by the Department of Education and Training at a public hearing on 16 July 2015, Sydney
 - 19 Answer to Question on Notice by the Department of Education and Training at a public hearing on 16 July 2015, Sydney
 - 20 Answer to Question on Notice by the Australian Education Union at a public hearing on 2 September 2015, Melbourne
 - 21 Answer to Question on Notice by the Australian Education Union at a public hearing on 2 September 2015, Melbourne
 - 22 Answer to Question on Notice by Careers Australia at a public hearing on 2 September 2015, Melbourne
 - 23 Answer to Question on Notice by Careers Australia at a public hearing on 2 September 2015, Melbourne

- 24 Answer to Question on Notice by Careers Australia at a public hearing on 2 September 2015, Melbourne
- 25 Answer to Question on Notice by Careers Australia at a public hearing on 2 September 2015, Melbourne
- 26 Answer to Question on Notice by Careers Australia at a public hearing on 2 September 2015, Melbourne
- 27 Answer to Question on Notice by Andrew Norton at a public hearing on 2 September 2015, Melbourne
- 28 Answer to Question on Notice by the Victorian Department of Education and Training at a public hearing on 2 September 2015, Melbourne
- 29 Answer to Question on Notice by the Victorian Department of Education and Training at a public hearing on 2 September 2015, Melbourne
- 30 Answer to Question on Notice by the Victorian Department of Education and Training at a public hearing on 2 September 2015, Melbourne
- 31 Answer to Question on Notice by the Victorian Department of Education and Training at a public hearing on 2 September 2015, Melbourne
- 32 Answer to Question on Notice by the Victorian Department of Education and Training at a public hearing on 2 September 2015, Melbourne
- 33 Answer to Question on Notice by the Victorian Department of Education and Training at a public hearing on 2 September 2015, Melbourne
- 34 Answer to Question on Notice by the Victorian Department of Education and Training at a public hearing on 2 September 2015, Melbourne
- 35 Answer to Question on Notice by the Victorian Department of Education and Training at a public hearing on 2 September 2015, Melbourne
- 36 Answer to Question on Notice by the Victorian Department of Education and Training at a public hearing on 2 September 2015, Melbourne
- 37 Answer to Question on Notice by the Victorian Department of Education and Training at a public hearing on 2 September 2015, Melbourne

Additional Information

- 1 Additional Information – provided by the Department of Education and Training following Sydney public hearing on 16 July 2015 in Sydney

Tabled documents

- 1 Document tabled at a public hearing in Sydney on 16 July 2015 by the Overseas Student Ombudsman.

APPENDIX 2

Public Hearings

Sydney, Thursday, 16 July 2015

Committee Members in attendance: Senators Kim Carr, McKenzie, O'Neill, Rhiannon, Sinodinos

Witnesses

BOLTON, Mr Stephen Bernard, Senior Advisor—Employment, Education and Training, Australian Chamber of Commerce and Industry

BURGESS, Mr Mark John, National Apprenticeship Officer, Electrical Division, Communications, Electrical, Electronic, Energy, Information, Postal, Plumbing and Allied Services Union of Australia

CAMM, Mr Rodney, Chief Executive Officer, Australian Council for Private Education and Training

CORNWELL, Ms Andrea Peta, General Manager, Governance and External Relations, Australian Institute of Professional Education

CURRY, Mr Ian, National Coordinator, Skills, Training and Apprenticeships, Australian Manufacturing Workers' Union

DUGGAN, Ms Anne Michele, Education and Training Coordinator (Victorian branch), Construction & General Division, Construction, Forestry, Mining and Energy Union

DWYER, Mr William, Credit and Debt Solicitor, Redfern Legal Centre FURNELL, Ms Peta, Group Manager, Department of Education and Training

GLENN, Mr Richard, Acting Overseas Students Ombudsman, Overseas Students Ombudsman, Office of the Commonwealth Ombudsman

HEWLETT, Ms Susan, Acting Group Manager, Industry Skills and Policy Group, Department of Education and Training

KHANCHE, Mr Amjad Hamid, Chief Executive, Australian Institute of Professional Education

LAVARCH, Professor Michael, Commissioner, Risk, Intelligence and Regulatory Support, Australian Skills Quality Authority

MORLEY, Ms Elizabeth, Principal Solicitor, Redfern Legal Centre

POWELL, Mr Martin, Victorian Executive Officer, Australian Council for Private Education and Training

ROBERTS, Mr Christopher, Acting Senior Assistant Ombudsman, Overseas Students Ombudsman Office, of the Commonwealth Ombudsman SHILBURY, Mr Neil, Chief Executive Officer, Careers Training Group Pty Ltd

SHIPSTONE, Mr Tim, Industrial Officer, Australian Council of Trade Unions

STAFFORD, Ms Elizabeth, Acting General Manager, Regulatory Strategy, Governance and Corporate, Australian Skills Quality Authority

WOODGATE, Mr Dean, Acting Branch Manager VET FEE-HELP, Department of Education and Training

Melbourne, Wednesday, 2 September 2015

Committee Members in attendance: Senators Kim Carr, Lines, O'Neill, Rhiannon, Sinodinos

Witnesses

BOND, Ms Sue, Head, Guild Pharmacy Academy, National Secretariat, Pharmacy Guild of Australia

BOYD, Ms Denise, Director, Policy and Campaigns, Consumer Action Law Centre

BURKE, Mr Joe, Executive Director Training System Performance Analysis and Industry

Engagement, Victorian Department of Education and Training and Deputy Federal Secretary, Australian Education Union

FRITSCHY, Mr Sigmund, Acting Director, Tertiary Education Policy, Higher Education and Skills Group, Victorian Department of Education and Training

McCALL, Ms Christine, Manager, Yarraville Community Centre

McKENDRY, Mr Patrick, Managing Director, Careers Australia

NORTON, Mr Andrew, Private capacity

ROBERTSON, Mr Craig, Deputy Secretary, Higher Education and Skills Group, Victorian Department of Education and Training

TEMPLE, Ms Katherine, Senior Policy Officer, Consumer Action Law Centre