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Senator Mark Bishop  
Committee Chair  
Senate Economics Legislation Committee  
SG.64  
PO Box 6100  
Parliament House  
CANBERRA ACT 2600

Dear Senator Bishop

Please find attached a joint submission from the Department of Industry, Innovation, Science, Research and Tertiary Education and the Australian Skills Quality Authority to the Senate Economics Legislation Committee regarding the inquiry into the National Vocational Education and Training Regulator (Charges) Bill 2012.

Yours sincerely

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Tertiary Quality and Participation Division  
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Research and Tertiary Education

13 April 2012

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Christopher Robinson  
Chief Commissioner  
Australian Skills Quality Authority



Australian Government  
Australian Skills Quality Authority



Australian Government  
Department of Industry  
Innovation, Science, Research  
and Tertiary Education

**SENATE ECONOMICS LEGISLATION COMMITTEE**

**INQUIRY INTO THE VOCATIONAL EDUCATION  
AND TRAINING REGULATOR (CHARGES) BILL  
2012**

**DEPARTMENT OF INDUSTRY, INNOVATION, SCIENCE,  
RESEARCH AND TERTIARY EDUCATION**

**AND**

**THE AUSTRALIAN SKILLS QUALITY AUTHORITY**

**13 APRIL 2012**

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## SECTION 1. INTRODUCTION

### Overview

- 1.1 The Department of Industry, Innovation, Science, Research and Tertiary Education (the Department) and the Australian Skills Quality Authority (ASQA) welcome the opportunity to make this joint submission to the Senate Economics Legislation Committee inquiry into the National Vocational Education and Training Regulator (Charges) Bill 2012 (the Bill).
- 1.2 The Bill was introduced into the House of Representatives on the 22 March 2012 and subsequently referred to the Senate Economics Legislation Committee for inquiry and report.
- 1.3 The object of the Bill is to support ASQA's cost recovery arrangements by enabling the National VET Regulator to charge NVR registered training organisations (RTOs) for compliance audits and substantiated complaint investigations it conducts. The Bill will allow ASQA Commissioners – if necessary – to apply charges for compliance audits of off-shore providers, in addition to regular renewal fees. In the case of an NVR RTO who applies for a renewal of its current registration, and who delivers services at an off-shore location, this Bill will allow ASQA to charge the RTO for the cost of a compliance audit in monitoring their off-shore VET operations.
- 1.4 The Bill enables part of ASQA's proposed cost recovery arrangements which were subject to extensive consultation in 2011. The feedback from those consultations assisted in designing the final fees and charges structure and ensuring that the new cost arrangements were appropriate for the vocational education and training (VET) sector. The fees and charges structure, including the consultation process, is explained in a Cost Recovery Impact Statement (CRIS) (Attachment A refers). A copy of the CRIS has been publicly available on the ASQA website since the commencement of ASQA, and prior to this on the interim website since June 2011.
- 1.5 Importantly, the CRIS specifically references the need for the Bill to cover the additional monitoring activities to be undertaken by ASQA.<sup>1</sup>
- 1.6 While there are no specific terms of reference for this Inquiry, it is noted that in referring the Bill, the Senate Selection of Bills Committee noted that a number of providers have expressed concern that having audits undertaken on a cost recovery basis will unreasonably burden them.

### Purpose of the submission

- 1.7 The purpose of the submission is to inform the Committee of the purpose of the Bill. In particular, the submission demonstrates that the Bill's provisions

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<sup>1</sup> Cost Recovery Impact Statement, section 3.1 Legal Requirements for the imposition of fees and charges, page 11

are consistent with ASQA's cost recovery arrangements and more broadly the Australian Government Cost Recovery Guidelines (Cost Recovery Guidelines).<sup>2</sup>

- 1.8 The submission also advises the Committee that the charges that will be enabled by the Bill have been known by stakeholders since before the commencement of ASQA and that stakeholders, particularly RTOs, have been involved in the final configuration of ASQA's fees and charges structure.

## Outline of submission

- 1.9 The submission is divided into five sections.
- 1.10 This opening section introduces the submission with a brief overview of the objective of the Bill and the purpose of the submission.
- 1.11 Section two of the submission provides important background information regarding the establishment of ASQA and the development of ASQA's cost recovery arrangements.
- 1.12 Section three includes an overview of the Bill.
- 1.13 Section four focuses on the design and implementation of charges for additional monitoring activities and considers the likely impact of the proposed charges on NVR RTOs.
- 1.14 Section five provides some concluding remarks.

## SECTION 2. BACKGROUND

### Council of Australian Governments 2009 Decision

- 2.1 On 7 December 2009 the Council of Australian Governments (COAG) agreed to a suite of vocational education and training (VET) reforms as part of a focus on increasing the productivity of individual workers and the Australian economy as a whole.<sup>3</sup> The COAG VET reforms were also part of the response to concerns about the quality of training providers servicing international students.
- 2.2 A key aspect of the COAG VET reform agenda included the decision to establish a national regulator for the VET sector with the objective of improving the quality and consistency of VET nationally. This decision was noted, but not agreed to, by Victoria and Western Australia.

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<sup>2</sup> Australian Government Cost Recovery Guidelines July 2005

<sup>3</sup> COAG Record of meeting, 7 December 2009

- 2.3 COAG agreed that the national regulator would operate from 2011 and be established as a Commonwealth statutory authority under Commonwealth legislation through a conditional and limited text-based referral from the states. It was also agreed that the national regulator would operate on a full cost recovery basis consistent with contemporary regulatory practice.
- 2.4 It was agreed that Victoria and Western Australia would continue to regulate providers operating in their jurisdiction, however, providers [operating in Victoria and Western Australia] that also operate in a referring state or offer VET courses to international students would be regulated by the national regulator.

## Establishment of ASQA

- 2.5 The National VET Regulator, known as ASQA, is established with the capability and power to examine quality concerns in all areas of the VET sector which come under its jurisdiction.
- 2.6 ASQA is a “prescribed agency” and therefore subject to the requirements of the *Financial Management and Accountability Act 1997* (FMA Act). As such, ASQA is required to comply with the policies set out in the Australian Government Cost Recovery Guidelines which are administered by the Department of Finance and Deregulation (DoFD).
- 2.7 ASQA is responsible for registration of training providers in the VET sector. To be registered and remain registered with ASQA, RTOs must comply with registration standards<sup>4</sup>, including the VET Quality Framework.
- 2.8 ASQA commenced operations on 1 July 2011 with regulatory responsibility for all RTOs in New South Wales, the Australian Capital Territory and the Northern Territory, as well as RTOs in Victoria and Western Australia that offer VET courses in a referring state or territory or non-school organisations offering VET courses to overseas students.
- 2.9 ASQA assumed regulatory responsibility for all RTOs in Tasmania from 15 February 2012 and all RTOs in South Australia from 26 March 2012. Queensland is yet to refer regulatory responsibility to the Commonwealth.

## Policy objectives

- 2.10 A high performing, well regarded VET sector is of both national and international significance.
- 2.11 ASQA’s policy objectives include<sup>5</sup>:
- providing effective regulation of the VET sector as a key quality assurance mechanism for the skills base of Australia’s workforce;

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<sup>4</sup> Part 2, Division 1, Subdivision B, *National Vocational Education and Training Regulator Act 2011*

<sup>5</sup> Cost Recovery Impact Statement, Section 2, Policy Review, page 6

- improving the quality of training outcomes and public confidence in VET qualifications;
- developing a regulatory system that is rigorous, fair and proportional; and
- striking fees and charges for regulation that reflect the cost of the regulatory activities and that, as much as possible, impose the cost of additional monitoring only on those organisations that present the highest risk to quality outcomes.

2.12 The Australian Government's long-standing policy objective, the COAG VET reform agenda and ASQA's vision equally aim to improve stakeholder confidence in the quality of VET outcomes delivered by RTOs nationally.

## Legislation

2.13 ASQA exercises its responsibilities based on a robust legislative framework.

2.14 The legislative framework under which ASQA is established includes:

- the *National Vocational Education and Training Regulator Act 2011* (the main Act);
- the *National Vocational Education and Training (Consequential Amendments) Act 2011*;
- the *National Vocational Education and Training Regulator (Transitional Provisions) Act 2011*; and
- the *National Vocational Education and Training Regulator Amendment Act 2011* (expected to commence 1 May 2012).

2.15 Legislative instruments under the main Act were approved by the Ministerial Council on Tertiary Education and Employment in June 2011 and are registered on the Federal Register of Legislative Instruments (FRLI). The instruments are:

- Standards for NVR-Registered Training Organisations;
- Fit and Proper Person Requirements;
- Data Provision Requirements;
- Standards for VET Regulators;
- Standards for VET Accredited Courses

2.16 The ASQA Commissioners determined the Financial Viability Risk Assessment Requirements, by legislative instrument as required under section 158 of the NVETR Act, which are also registered on FRLI.

## ASQA's cost recovery arrangements

2.17 COAG agreed that ASQA would operate on cost recovery basis with states determining independently any fee subsidies they would offer within their own jurisdiction.<sup>6</sup> It is essential for ASQA to recover regulation costs. This will

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<sup>6</sup> COAG Record of meeting, 7 December 2009

enable ASQA to ensure a high quality VET sector that stakeholders can have improved confidence in.

2.18 In the 2010 -11 Budget, the Australian Government agreed that ASQA would initially be funded by partial cost recovery – financed by Parliamentary appropriation.

2.19 Table 1 outlines ASQA's funding profile based on the Education, Employment and Workplace Relations Portfolio Budget Statement 2011-12.

Table 1: Funding profile for ASQA, based on the 2011-12 Portfolio Budget Statements

\$m	2011-12	2012-13	2013-14
<b>Expenses</b>	26.6	25.0	25.4
<b>Related revenue</b>	11.4	15.9	20.7
<b>Budget funded</b>	15.2	9.1	4.7

2.20 ASQA's cost recovery arrangements include fees for application-based services and charges for additional monitoring activities. Some fees for application-based services, including application lodgement fees, applied from 1 July 2011. Other fees, such as annual RTO registration fees, will apply progressively in line with ASQA's implementation path to full cost recovery.

### ASQA's Cost Recovery Impact Statement

2.21 The principles underpinning the Cost Recovery Guidelines provide that agencies with significant cost recovery arrangements need to prepare a CRIS.<sup>7</sup>

2.22 In line with this requirement, ASQA prepared a CRIS discussing ASQA's cost recovery arrangements. The CRIS covers the period 1 July 2011 to 30 June 2014 and includes consideration of proposed charges for additional monitoring activities, as enabled by this Bill.

2.23 The CRIS was subject to extensive consultation with stakeholders, which is discussed in more detail in the following subsection.

2.24 The CRIS aims to transparently show compliance with the Cost Recovery Guidelines which promote accountability of Commonwealth cost recovery arrangements and the efficient allocation of resources.

2.25 In relation to the design and implementation of ASQA's fees and charges, the CRIS covered the:

- legal requirements for the imposition of fees and charges;
- cost recovery arrangements;
- costs to be included in fees and charges;

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<sup>7</sup> Key principle 11



- outline of charging structure; and
  - impact on stakeholders.
- 2.26 The CRIS process concluded that it was appropriate for ASQA to recover the cost of the regulatory functions it conducts, including the costs associated with additional monitoring activities. This conclusion is based on the following reasons:
- charging is consistent with policy goals;
  - charging is efficient;
  - charging fees and charges does not create exclusive rights – organisations can operate as training providers but cannot deliver AQF qualifications without being registered to do so;
  - charging avoids taxpayer burden for approvals that provide a distinct commercial advantage to training organisations and course owners;
  - charging will not create anomalies in the market; and
  - it is easy to identify the recipient of the service.
- 2.27 Price Waterhouse Coopers were engaged to perform a high-level review of ASQA's proposed schedule of fees and charges. Their report stated:

*'Overall our finding is that the methodology undertaken by the NVR in undertaking the cost modelling and charges determination is compliant with Cost Recovery Guidelines.'<sup>8</sup>*

## Consultation

- 2.28 As noted above, ASQA's cost recovery arrangements and CRIS were subject to extensive consultation in 2011.
- 2.29 Stakeholder consultation consisted of meetings with:
- State and territory senior officers;
  - Peak RTO organisations, including the Australian Council for Private Education and Training, the Enterprise Registered Training Organisation Association and TAFE Directors Australia;
  - Peak employee associations, including the Australian Council of Trade Unions, the Construction, Forestry, Mining and Energy Union, the Electrical Trades Union and the Australian Education Union; and
  - industry representatives.
- 2.30 ASQA's draft schedule of fees and charges and CRIS were also published on the ASQA website with an invitation for interested parties to comment.
- 2.31 Parties were afforded a three week opportunity in which to provide feedback and more than 140 submissions from all states and territories were received in reply.

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<sup>8</sup> National VET Regulator – Review of NVR Fees and Charges – page 3 (April 2011)

- 2.32 The feedback from consultations was extremely helpful in designing the final fees and charges structure and ensuring that the cost recovery arrangements are appropriate for the VET sector.
- 2.33 ASQA consulted with DoFD in developing its schedule of fees and charges and received clearance from DoFD to proceed with the CRIS for approval by the Prime Minister in June 2011.
- 2.34 Importantly, the CRIS also includes details of review arrangements for the fees and charges, the methods of charging and cost recovery arrangements.<sup>9</sup>
- 2.35 Several specific items are identified for periodic review including, the levels of activity and any significant changes in the training market, such as a decline in the number of RTOs; client feedback; possible efficiency gains and charging arrangements.
- 2.36 The CRIS provides that an addendum will be made to the CRIS following the passage of the Bill covering additional monitoring activities. The addendum will confirm the passage of the Bill.

## **SECTION 3. NATIONAL VOCATIONAL EDUCATION AND TRAINING REGULATOR (CHARGES) BILL 2012**

### **Purpose of the Bill**

- 3.1 The purpose of the Bill is to enable ASQA to recover costs and expenses associated with additional monitoring activities including compliance audits and investigation of substantiated complaints.
- 3.2 The Bill enables part of ASQA's proposed cost recovery arrangements which were subject to extensive consultation in 2011 and outlined in the CRIS.
- 3.3 The main method ASQA monitors compliance with registration standards is by conducting compliance audits. Complaints also provide important information about the performance of RTOs and compliance with registration standards.
- 3.4 It is necessary for ASQA to conduct additional monitoring activities to ensure ongoing compliance with registration standards and identify and substantiate issues relating to the quality of VET.

### **Overview of the Bill**

- 3.5 Additional monitoring activities through compliance audits or complaint investigation require significant regulatory effort. Under the Bill, charges in

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<sup>9</sup> Cost Recovery Impact Statement, Subsection 4.3 Periodic Review, page 21

relation to additional monitoring activities will be payable by the individual RTO to which the audit or investigation relates.

- 3.6 It is proposed that charges will be payable for the costs and expenses incurred by ASQA in conducting the audit and/or the investigation.
- 3.7 Where the audit or investigation is conducted outside of Australia, charges are payable for any reasonable expenses incurred by ASQA in conducting the activity.
- 3.8 The charges under the Bill will be calculated based on a formula determined by the Minister by legislative instrument. The charges, including the formula for calculating the charges, were documented in ASQA's CRIS and are further detailed in Section 4 of this submission.
- 3.9 The Minister may also, by legislative instrument, determine the circumstances in which ASQA may allow payment in instalments or waive a charge in whole or in part.

## SECTION 4. DESIGN OF CHARGES

### Australian Government Cost Recovery Guidelines

- 4.1 In December 2002, the Australian Government adopted a formal cost recovery policy to improve the consistency, transparency and accountability of its cost recovery arrangements and promote the efficient allocation of resources. The underlying principle of the policy is that entities should set charges to recover all the costs of products or services where it is efficient and effective to do so, where the beneficiaries are a narrow and identifiable group and where charging is consistent with Australian Government policy objectives. Cost recovery policy is administered by the Department of Finance and Deregulation and outlined in the Cost Recovery Guidelines.
- 4.2 The policy applies to all FMA Act agencies and to relevant *Commonwealth Authorities and Companies Act 1997* (CAC Act) bodies that have been notified. In line with the policy, individual portfolio ministers are ultimately responsible for ensuring entities' implementation and compliance with the Cost Recovery Guidelines.
- 4.3 The Cost Recovery Guidelines are underpinned by 14 key principles for cost recovery. ASQA adopted these principles in designing cost recovery arrangements for additional monitoring activities.

## Design and implementation of charges

- 4.4 The design and implementation of charges for additional monitoring activities, including the formula for calculating charges, are documented in ASQA's CRIS.
- 4.5 The charges are calculated by time on task multiplied by an hourly rate designed to reflect the cost of delivering the activity – based on the identifiable costs – and designed, as much as possible, so as not to act as a barrier to participation in the market or stifle competition.
- 4.6 ASQA will review its fees and charges annually. The fees and charges are based on a cost recovery model, and as such, it is anticipated that they will require minor adjustments to reflect increased costs of service delivery. Any changes to fees must be agreed to by the Ministerial Council.
- 4.7 This formula provides a clear and efficient means for calculating charges for additional monitoring activities.
- 4.8 In developing the formula for calculating the charges, an analysis was undertaken of the existing processes applied by state and territory VET regulators.
- 4.9 The research showed that, prior to the establishment of ASQA, state VET regulators in NSW and Victoria charged RTOs for compliance audits and investigating substantiated complaints.
- 4.10 In addition to comparing ASQA's charges with state and territory VET regulators, ASQA also considered the fee structure of the National Audit and Registration Agency (NARA). NARA was previously responsible for audit and registration of RTOs that operated in more than one jurisdiction who had elected to transfer their registration to this national agency. This exercise was particularly useful as NARA operated on an almost fully cost recovery basis. The comparison showed that NARA also charged RTOs for additional monitoring activities.
- 4.11 The fees charged by the state regulators and NARA ranged from \$125 up to \$150 per hour.
- 4.12 Table 2 sets out the proposed charges and the formula for calculating the charges for additional monitoring activities, as outlined in the CRIS.

Table 2: ASQA's charge structure for additional monitoring activities

Description	Activity	Proposed charge \$	Capped at \$	Explanatory notes
<b>Additional monitoring activities</b>	Compliance audit	150 per hour	5000	These audits are outside those required as part of normal registration, other than for new RTOs which require a compliance audit within their first 12 months of operation.
	Investigation of a substantiated complaint	150 per hour	3000	This fee is payable by a RTO where a complaint is substantiated by ASQA.
<b>Off-shore monitoring</b>	Off-shore delivery site included in audit	Audit costs plus Govt approved travel costs	N/A	This fee will vary according to the location of the off-shore activity. Travel costs will be in accordance with the Commonwealth 'Best Fare of the Day' requirements and ASQA's travel policy.

- 4.13 Charges for compliance audits and complaint investigations are proposed to apply from 1 July 2013 and charges for additional monitoring activities conducted off-shore are proposed to apply from 1 January 2014.

### Who creates the need for additional monitoring activities

- 4.14 RTOs that present a higher risk – in terms of likelihood of negative impacts on quality VET outcomes – require more rigorous monitoring to ensure compliance and a high performing VET sector.
- 4.15 High-risk RTOs threaten the quality and reputation of the national VET system and create the need for additional monitoring activities.
- 4.16 Under the Bill, charges for additional monitoring activities will be a specific charge on the NVR RTO that has been identified as requiring additional monitoring or has had a complaint against it substantiated by ASQA. This means that the costs and expenses for additional monitoring activities will be borne by the NVR RTO that has created the need for the regulatory action to be taken against them.
- 4.17 This approach avoids cross-subsidisation whereby low-risk RTOs subsidise the costs and expenses associated with ensuring the on-going compliance of high-risk providers. It will act as an incentive for providers to improve quality.
- 4.18 Further, being an NVR RTO gives these organisations a commercial advantage over training providers that are not authorised to issue nationally recognised qualifications. It is appropriate that RTOs seeking to profit from this

privilege must be responsible for the costs and expenses associated with high quality regulation.

### ASQA's risk assessment process

- 4.19 ASQA uses a risk assessment process to assess each provider and all registration applications. ASQA uses a range of indicators including financial management, governance arrangements and the RTO's past performance to assign each provider a rating that indicates its non-compliance risk.
- 4.20 This rating – low, medium or high – is used to determine the degree of regulatory intervention and compliance monitoring ASQA will apply. Under this approach RTOs assessed as having a higher risk in terms of likelihood of negative impacts on quality outcomes for students, and the potential impact on the VET sector more broadly, will receive more rigorous monitoring by ASQA.
- 4.21 ASQA gathers information about the continuing compliance of RTOs using a range of methods including: outcomes of recent audits, complaints lodged with ASQA, scrutiny of public marketing material, feedback from stakeholders, consultation with industry and with state and territory purchasing bodies.

### Impact on stakeholders

- 4.22 In referring the Bill to the Senate Economic Legislation Committee for consideration, the Senate Selection of Bills Committee noted that a number of providers were concerned that ASQA's cost recovery arrangements in relation to audits will unreasonably burden NVR RTOs.
- 4.23 The Department and ASQA submit that the Bill is not likely to have a considerable impact on the overall VET sector or unreasonably burden business.
- 4.24 Table 3 below shows the estimated cost recovery that will be raised through the charges enabled by the Bill. This amount is based on the estimated volume of activity that ASQA will undertake in conducting additional compliance audits and investigation of substantiated complaints.

Table 3: Estimated volume of activity/cost recovery

Year	2011/12 \$'000	2012/13 \$'000	2013/14 \$'000
<b>Additional monitoring (estimated 2,115 audits)</b>	nil	1,600	4,000 287
<b>Complaints (substantiated) (estimated 240 investigations)</b>	nil	144	288

- 4.25 Table 3 shows that ASQA does not intend to commence charging for compliance audits or complaints activity until the 2012-13 financial year. ASQA intends to charge for additional monitoring and complaints from

1 January 2013, (the second half of the financial year); however will not be charging for off-shore monitoring at that time. Off-shore monitoring charges will not commence until the second half of the 2013/14 financial year. The estimated cost recovery for 2013-14 in Table 3 therefore reflects close to the full charges that will apply to the sector.

- 4.26 The estimates in relation to substantiated complaints have been calculated based on the charges outlined in the CRIS and data regarding ASQA's complaint activity in its first six months of operation. The CRIS outlined the planned charges applicable to investigate a (substantiated) complaint about an RTO are \$150 per hour, up to a maximum of \$3,000. The CRIS identified that the estimated average charge to investigate a complaint is \$1,200. During its first six months of operation, ASQA completed processing 101 complaints, of which 38 were found to be substantiated. This would have raised an estimated \$45,600 had ASQA's charges schedule been operating.
- 4.27 The CRIS identified planned charges applicable to undertake a compliance audit of \$150 per hour, up to a maximum of \$5,000 per activity. The CRIS further identified an estimated average charge per audit of \$2,000 per RTO activity. The additional monitoring activity forecast for 2013/14 in the CRIS was 2,000 activities. This would have raised an estimated \$4,000,000 for the year. The estimated revenue raised from off-shore monitoring activities is based on 115 activities, at a charge of \$5,000. This amounts to an additional \$575,000 over a full year (\$287,500 for the 6 months of 2013/14).
- 4.28 The total estimated revenue from additional monitoring activity over a full year is \$4,287,500. Based on an estimated 4,000 RTOs, the cost per organisation would be around \$1,072 if spread equally. However, ASQA charges model will only impose an additional financial burden on those RTOs who require additional monitoring.
- 4.29 Importantly, the audit charges proposed by this Bill relate to compliance audits only and do not include audits conducted as part of the registration process.
- 4.30 Where ASQA conducts strategic industry audits, charges will not apply.<sup>10</sup> These costs will be met out of appropriation funds.
- 4.31 With respect to complaints investigations, a charge will only be payable in the circumstance that ASQA substantiates the complaint following investigation.
- 4.32 Further, the fact that ASQA's proposed schedule of fees and charges has been publicly available for over 12 months has provided time for business to factor in the real costs associated with registration and on-going compliance and ample opportunity to build these costs into their business plan.
- 4.33 ASQA's CRIS assesses the potential impact of ASQA's proposed fees and charges on stakeholders as a whole. This includes fees for application based

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<sup>10</sup> Pursuant to Section 232 of the *National Vocational Education and Training Act 2011*



services such as application lodgement fees authorised by the main Act and charges for additional monitoring activities of a general regulatory as supported by this Bill.

- 4.34 In this context, it is important to note that the revenue raised from additional monitoring activities is not expected to be a substantive proportion of ASQA's overall cost recovery.
- 4.35 Feedback received to the exposure draft of ASQA's CRIS from small RTOs, suggested that ASQA's fees and charges regime could lead to a number of organisations going out of business. This claim, however, has not been substantiated. Indeed, ASQA has seen no decrease in the numbers of RTOs for which it had regulatory responsibility during its first six months of operation (1 July 2011 to 31 December 2011) with the number of ASQA RTOs rising from 2,046 to 2,070 during this time. As of 2 April 2012 the number of RTOs for which ASQA had regulatory responsibility had again risen to 2,091. There is no evidence to date of any diminution of demand from training providers within the VET sector.
- 4.36 Issues raised in consultation proposed that potential outcomes may include:
- training providers may elect not to renew registration;
  - RTOs may re-evaluate or scale back their scope of registration;
  - RTOs may seek to lower their risk profile to reduce regulatory activity;
  - RTOs may pass on increased costs to students; and
  - there may be less choice for students.
- 4.37 In response to the feedback, ASQA's fees and charges were recalibrated to reduce the potential negative effects on existing RTOs transferring to ASQA's jurisdiction.
- 4.38 In the intervening period 2011-12 to 2014-15, certain fees and charges have been deferred to alleviate the full impact of ASQA's regulatory costs on providers. The majority of ASQA's fees have been in place since ASQA commenced in July 2011, and the introduction of the remaining fees and charges is not expected to have a significant impact upon the future viability of existing RTOs. These RTOs have been given reasonable opportunity to absorb ASQA's schedule of fees and charges into their business strategy.

## **SECTION 5. CONCLUSION**

- 5.1 In conclusion, this Bill is part of a robust legislative framework designed to enhance the quality and reputation of the national VET sector.
- 5.2 The establishment of a national VET regulator is part of this vision. It is important that ASQA is properly resourced in order to deliver robust regulation. A strong, robust regulatory framework is key to improving the quality and consistency of training outcomes across the VET sector.



- 5.3 While Australia's VET sector is of a very high quality overall, in the past there have been some regulatory gaps and failures in isolated parts of the sector. For example, considerable effort has been made in recent times to improve the quality of regulation in VET in respect to international students. It is imperative that these efforts are maintained and indeed strengthened.
- 5.4 It must be acknowledged that prior to the establishment of ASQA, few states and territories charged fees for additional monitoring activities, however, the charges proposed to be enabled by this Bill are designed to be fair to those RTOs that do not require additional monitoring by not spreading the cost across all RTOs.
- 5.5 RTOs benefit greatly from a VET sector that is well respected and known for delivering a high quality product. It is appropriate that the costs of ensuring a quality VET sector are borne by the businesses that benefit from the system.
- 5.6 Finally, it is reiterated that the object of the Bill is to enable part of the ASQA's cost recovery arrangements that have already been the subject of extensive consultation with the VET sector and have been in the public arena for some 12 months.