



# **Australian Catholic University (ACU) Submission**

**Senate Inquiry into the VET Student  
Loans Bill 2016, the VET Student Loans  
(Consequential Amendments and  
Transitional Provisions) Bill 2016, and the  
VET Student Loans (Charges) Bill 2016**

**October 2016**



**AUSTRALIAN CATHOLIC UNIVERSITY (ACU) SUBMISSION - SENATE INQUIRY INTO THE VET STUDENT LOANS BILL 2016, THE VET STUDENT LOANS (CONSEQUENTIAL AMENDMENTS AND TRANSITIONAL PROVISIONS) BILL 2016, AND THE VET STUDENT LOANS (CHARGES) BILL 2016**

**Executive Summary**

Australian Catholic University (ACU) welcomes the opportunity to make a submission to the Senate Inquiry into the VET Student Loans Bill 2016, the VET Student Loans (Consequential Amendments and Transitional Provisions) Bill 2016 and the VET Student Loans (Charges) Bill 2016.

ACU broadly supports the VET reform initiatives, which will serve to better target the allocation of public funding towards reputable and quality providers and courses.

However, ACU strongly recommends revising the proposed loan cap for the Diploma of Nursing to \$15,000 to better reflect the true cost of delivery and ensure no negative effect on student enrolments, which would adversely affect future workforce supply of nurses.



## **ACU Interest in VET sector**

ACU has an interest in the VET sector for three main reasons:

1. ACU operates ACUcom, a Registered Training Organisation (RTO) that has been operating for over ten years. ACU delivers VET through ACUcom, which has particular strengths in nursing, aged care and education. ACUcom currently trains domestic students in Victoria and Queensland.<sup>1</sup>
2. As a higher education provider and a public university, ACU recognises that the performance of, and reforms to, the VET system have an impact on the strength and quality of Australia's higher education system more broadly.
3. The Australian VET sector plays a crucial role in ensuring the provision of essential training and services to meet the current and future skills needs of the nation. Government, students, and industry are heavily invested in VET learning and service delivery outcomes, as is the wider public in the interests of ensuring accountability for the expenditure of public funds and advancing the Australian economy. VET courses also provide important pathways for students to access further higher education, which serves to meet demand for higher level skills by industry and the professions.

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<sup>1</sup> For further details and current ACUcom course offerings see 'Vocational Education Training (VET) at [https://www.acu.edu.au/courses/other\\_courses/vocational\\_education\\_training\\_vet](https://www.acu.edu.au/courses/other_courses/vocational_education_training_vet)



## **ACU Broadly Supports the VET Reform Initiative**

ACU strongly supports the Government's initiative to significantly reform the VET sector, which will serve to better target the allocation of public funding towards reputable and quality providers and courses.

ACU has previously publicly expressed its concern about the prevalence of unscrupulous providers operating in the VET sector and the extension of limited public funds to such providers, which has reputational implications for the entire Australian tertiary education sector and system. (See ACU's submission to the 2015 Senate inquiry into the operation, regulation and funding of private VET providers – attached.)

ACU is pleased that the Government's proposed reforms seek to address a number of these concerns. Specifically, the proposed reforms will:

- rein in the ballooning cost of VET through the new VET Student Loans scheme; and
- provide a more strategic allocation of funding to courses and tighter VET provider access to funding.

We consider that these reforms will enable the VET system to grow in a way that is consistent with industry, community and student needs.

## **ACU Urges the Government to Adjust the Proposed Loan Cap for Nursing**

While ACU supports the proposed VET reform agenda, we have particular concerns about the impact of the new loan system on the viability of some VET courses, through the effect on student fees.

Based on ACU's analysis of the VET reforms, we are very concerned about the likely impact of the capped VET Student Loans on Diploma of Nursing (HLT54115) students at ACUcom. Consequently, ACU strongly urges a change to the funding cap classification for nursing.

The cost of delivering the Diploma in Nursing at ACUcom is increasing in line with improvements in the quality of the course. This includes an increase in delivery hours (from 2017), which will require an increase in fees to cover the additional training.

Providers of clinical placements for nursing students are also increasing the cost of placements (charged to VET providers), having recognised this as a valuable income stream.

These changes in course content and delivery costs will take the Diploma of Nursing course offered by ACUcom above the \$10,000 Student Loans cap allocation, leaving a gap that will need to be paid by students.<sup>2</sup> We note that TAFEs in Victoria are charging between \$11,000 and \$12,500 for a Diploma of Nursing in 2017, also well above the \$10,000 cap.

As the Committee will be aware, VET students often come from disadvantaged backgrounds and find it difficult to meet course fees – especially in regional locations where ACUcom operates, such as Ballarat and Ararat. Concession fees are often not available for Diploma-level courses, which exacerbates the cost pressures on students. If the reforms to VET funding inadvertently create a gap

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<sup>2</sup> See Department of Education and Training – Australian Government, 'Eligible Course List' (10 October 2016), at [https://docs.education.gov.au/system/files/doc/other/161010\\_vet\\_student\\_loans\\_eligible\\_course\\_list.pdf](https://docs.education.gov.au/system/files/doc/other/161010_vet_student_loans_eligible_course_list.pdf)



payment for Diploma of Nursing students, the likely result is that many people from low socioeconomic backgrounds will be unable to afford the cost of the qualification.

Significantly, it may mean a reduction in nursing graduates in areas where, according to job projections, there is a particularly pressing need for additional nurses. At a national level, workforce projections estimate a shortfall of approximately 85,000 nurses by 2025 and 123,000 by 2030.<sup>3</sup>

The Diploma of Nursing delivered by ACUcom has all the characteristics for priority courses set out in the VET Student Loans bill. Namely, it:

- has a high national priority;
- aligns with industry needs;
- contributes to addressing skills shortages; and
- leads to employment outcomes.

ACUcom's Diploma of Nursing leads to Australian Health Practitioner Regulation Agency (AHPRA) registration as an Enrolled Nurse. Successful completion of the course also provides a guaranteed pathway into the Bachelor of Nursing at ACU, providing graduates with an opportunity to become a Registered Nurse and to develop more advanced skills and qualifications in Nursing.<sup>4</sup>

## **Recommendation**

In order to avoid adversely affecting the future workforce supply of nurses, ACU strongly recommends raising the loan cap to \$15,000 for the Diploma of Nursing. Such a change would reflect the true cost of delivery and ensure no negative effect on student enrolments

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<sup>3</sup> HealthWorkforce Australia, *Australia's Future Health Workforce – Nurses: Overview Report* (2014), at 18.

<sup>4</sup> See Australian Catholic University – ACUcom 'Diploma of Nursing' at [https://www.acu.edu.au/courses/other\\_courses/vocational\\_education\\_training\\_vet/courses/diploma\\_of\\_nursing](https://www.acu.edu.au/courses/other_courses/vocational_education_training_vet/courses/diploma_of_nursing)



## **ATTACHMENT A**

### **ACUcom PROFILE**

ACUcom is the Vocation Education and Training unit of Australian Catholic University (ACU). ACU is a Registered Training Organisation (RTO No: 3578) delivering nationally accredited vocational education and training from Certificate III to Diploma level.

Courses in Nursing, Education Support, Aged Care, Early Childhood Education and Care, Fitness, Leadership and Management, TAE, First Aid and CPR are offered in Melbourne, Ballarat and Brisbane.

ACUcom courses create pathways into higher education and align with higher education qualifications offered by ACU.

In Victoria, training is delivered with Victorian and Commonwealth Government funding for eligible candidates.

ACUcom is firmly committed to delivering nationally recognised qualifications and accredited courses in accordance with the Australian Qualifications Framework (AQF).

## **ATTACHMENT B**

### **AUSTRALIAN CATHOLIC UNIVERSITY PROFILE**

Australian Catholic University (ACU) is a publicly funded Catholic university, open to people of all faiths and of none and with teaching, learning and research inspired by 2,000 years of Catholic intellectual tradition. ACU operates as a multi-jurisdictional university with seven campuses across four states and one territory. ACU campuses are located in North Sydney (NSW), Strathfield (NSW), Canberra (ACT), Melbourne (Victoria), Ballarat (Victoria), Brisbane (QLD) and Adelaide (SA).

ACU is the largest Catholic university in the English speaking world. Today, ACU has over 30,000 students and 2,000 staff.<sup>5</sup>

ACU graduates demonstrate high standards of professional excellence and are also socially responsible, highly employable and committed to active and responsive learning. ACU graduates are highly sought after by employers, with a 93 per cent employment rate.<sup>6</sup>

ACU has built its reputation in the areas of Health and Education and is a major producer of nursing and teaching graduates in Australia. ACU educates the largest number of undergraduate nursing and teaching students in Australia,<sup>7</sup> serving to meet significant workforce needs in these areas. Under the demand driven system, ACU has sought to focus and build on these strengths.

Since 2014 ACU has had four faculties: Health Services; Education and Arts; Law and Business; and Theology and Philosophy. The consolidation of the previous six faculties has created a more efficient and competitive structure focused on the needs of industry and employment partners. ACU has also been moving towards the adoption of a shared services model where suitable, to improve efficiencies, internal processes and better allocate resources.

ACU is committed to targeted and quality research. ACU's strategic plan focuses on areas that align with ACU's mission and reflect most of its learning and teaching: Education; Health and Wellbeing; Theology and Philosophy; and Social Justice and the Common Good.

To underpin its plan for research intensification, ACU has appointed high profile leaders to assume the directorships, and work with high calibre members, in seven research institutes.<sup>8</sup> In the last three years the quality of ACU's research has improved dramatically. In the 2015 Excellence in Research for Australia (ERA) assessment ACU received high scores in the fields of research identified as strategic priorities and in which it has concentrated investment in order to achieve the highest levels of excellence. These include selected areas of Health, as well as Education, Psychology, Theology, and Philosophy.

ACU's research in Psychology, Human Movement and Sports Science, Nursing, Public Health and Health Services is rated in the top category under ERA of being "well above world standard." ACU's research in Specialist Studies in Education, Philosophy and Religion and Religious Studies is in the next ERA category as being above world standard. ACU's research in Education Studies in Human Society, Law and Legal Studies, History and Archaeology Education Systems, Curriculum and Pedagogy, Business and Management, Political Science, Sociology, Law, Applied Ethics and Historical Studies is at world standard.

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<sup>5</sup> As at July 2016. Student numbers refer to headcount figures while staff numbers refer to full-time equivalent (FTE).

<sup>6</sup> Based on those available for full-time employment, results from the *Graduate Destination Survey (GDS) 2015*.

<sup>7</sup> Department of Education and Training, *2014 Higher Education Data Collection – Students, Special Courses* (31 July 2015) at <https://docs.education.gov.au/node/38139>

<sup>8</sup> Australian Catholic University, *ACU Research*, at [http://www.acu.edu.au/research/research\\_institutes\\_and\\_programs](http://www.acu.edu.au/research/research_institutes_and_programs)

**Australian Catholic University (ACU)  
Submission to the Senate Inquiry into the  
operation, regulation and funding of  
private vocational education and training  
(VET) providers in Australia**

**February 2015**



**AUSTRALIAN CATHOLIC UNIVERSITY (ACU) SUBMISSION TO THE SENATE  
INQUIRY INTO THE OPERATION, REGULATION AND FUNDING OF PRIVATE  
VOCATIONAL EDUCATION AND TRAINING (VET) PROVIDERS IN AUSTRALIA**

**February 2015**

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## Executive Summary

Australian Catholic University (ACU) welcomes the opportunity to make a submission to the Senate Inquiry into the operation, regulation and funding of private vocational education and training (VET) providers in Australia.

ACU makes this submission for two reasons.

First, ACU operates ACUcom a Registered Training Organisation (RTO) which has been operating for over ten years, and during that time has successfully trained and assessed both international and domestic students across a number of qualifications in Nursing, Children Services, Aged Care, Language, Literacy and Numeracy, Education Support, Training and Assessment and Business and Management. We are currently training only domestic students.

Second, ACU is concerned 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.

The Australian VET sector plays a crucial role in ensuring the provision of essential training and services to meet the current and future skills needs of the nation. Government, students, and industry are heavily invested in VET learning and service delivery outcomes, as is the wider public in the interests of ensuring accountability for the expenditure of public funds and advancing the Australian economy.

In recent years, Australian jurisdictions have been moving towards the adoption of market-based models with respect to VET funding arrangements. Many public providers must now compete with private providers to gain access to public funding for VET. The nature of some of these changes to traditional arrangements has raised concern about the impact on the composition, regulation and quality of the VET sector, with some potentially far reaching consequences for VET delivery and the nation more broadly.

While ACU recognises that there are a number of quality private providers operating in the VET sector, there is serious concern about the volume and range of reported incidents of private providers engaging in opportunistic and unscrupulous practices in recent years, bringing the entire sector into disrepute. There is also a need for major review and reform of VET sector regulation, to weed out unscrupulous and low quality private providers.

The extension of limited public funding to private VET providers has also placed significant strain on the public providers, particularly Technical and Further Education colleges (TAFEs), and severely challenges their ability to deliver on their important, mandated obligations as the public providers. This includes delivering VET in regional and thin markets, and engaging in community service activities. There is broad recognition of a need for reform in the VET sector.<sup>1</sup>

ACU considers that there are a number of core areas that require close scrutiny and attention within the VET sector, and advances the following policy reform proposals.

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<sup>1</sup> The instigation and findings of a number of reviews and reports on the VET sector at both the federal and state/territory levels (including this current Senate Inquiry) is indicative of this. For instance, the Victorian Government instigated a two stage review of VET fees and funding arrangements in 2011; and more recently the Commonwealth Government released a White Paper on VET identifying some of the “major problems with current arrangements” – See Victorian State Government, ‘2011 Review of Vocational Education and Training (VET) Fees and Funding’ at <http://www.education.vic.gov.au/training/learners/vet/pages/feereview2011.aspx> ; Australian Government, *Reform of the Federation – White Paper: Roles and responsibilities and training and higher education* [Part B: Vocational Education and Training and Higher Education; Issues Paper 4] (December 2014)

## Policy Reform Proposals and Recommendations

### I. Access Private VET Providers have to Public Funding

Where public funding is extended to private VET providers, ACU suggests governments consider the following options:

#### *Differential Funding Options*

There should be differential funding of public and private VET providers, to recognise the additional responsibilities and costs borne by public providers, including expenditure on:

- Programs and training which are vital to national or local needs even though they may be costly, have low demand and be unpopular to deliver.
- More extensive services than private providers. This includes full student support and advocacy services, and provision of equal access to all students.
- Community service and community engagement obligations as public institutions.
- Servicing existing infrastructure such as learning management systems and the provision of campus experiences built as part of existing TAFE and dual-sector university infrastructure.

#### *Only Eligible private VET providers to have access to government funding*

The eligibility of private VET providers to contest for public funding should be limited to providers with an established track record of delivering quality VET training and to low risk providers. A requirement could be introduced that new private providers must operate in the sector for a minimum period of time, such as five years, and demonstrate a record of quality service delivery, before they can gain eligibility to contest for public funding. This would serve to:

- Discourage providers from entering the VET market purely for opportunistic reasons that lack quality educational outcomes.
- Slow the rate of entry of new providers into the VET market to avoid a sudden unmanageable influx of providers which will occur as jurisdictions shift to contestable funding models.
- Support more informed choice in the market by providing students, government, and industry more information about the quality of VET delivered by individual new providers.
- Facilitate better investment of government funds (including VET FEE-HELP loans) by reducing the number of high risk and/or low quality providers in the market.

In the alternative a cap could be placed on the number of publicly funded students new providers may take on, until these providers have a demonstrated track record of quality course delivery and student outcomes (this might include consideration of student satisfaction and graduate outcomes).

In addition any contestable funding arrangements need to provide sufficient certainty for both students and providers. Providers require sufficient lead time for forward planning with respect to business arrangements, including course offerings, and to meet regulatory compliance requirements. Similarly, funding arrangements should allow sufficient time for government and providers to communicate accurate and timely advice to students about available course offerings and fees.

### II. The Cost of Education at Private VET Providers and the Operation of VET FEE-HELP

ACU is concerned about practices adopted by some private VET providers which are operating to return a profit at the expense of providing quality educational outcomes. ACU considers that reform is required of VET fees and funding. In particular:

- Fees charged by private VET providers in receipt of public funding require close monitoring, and should better reflect students' future earning potential and the cost of delivery for particular courses.
- Funding would be better targeted to low risk providers focused on quality outcomes.
- Funding should also equate to successful completions and employment or further study outcomes.

### **III. Private VET Provider Regulatory Regime**

The current VET sector regulatory regime is complex, inconsistent and inefficient and expends resources that could be better spent on students. ACU recommends a review be undertaken of VET sector regulation. Such a review should seek to:

- Secure a more streamlined regulatory system through better coordination between the state/territory and federal governments, and within individual jurisdictions, with respect to the regulation and reporting requirements in place for VET providers (both private and public).
- Eliminate unnecessary and ineffective regulatory reporting and increase regulatory oversight to identify and deal with poor quality VET providers. Re-accreditation processes are extremely time consuming, costly and are an exercise in box ticking. Re-accreditation should involve a more pedagogical approach to quality outcomes as opposed to an exercise in paper shuffling.
- Eliminate duplicate reporting requirements and align these more with Tertiary Education Quality and Standards Agency (TEQSA) requirements for Higher Education.
- Identify opportunities to reduce the evidence and reporting requirements for low risk providers. Similar arrangements to those adopted in the higher education sector, as administered by TEQSA, could be put in place whereby low-risk providers would have a lower threshold of evidence to provide for re-accreditation.
- Consider new measures, or minimum conditions to be met, for private VET providers, to more effectively regulate them before they can contest for public funding.

## Snapshot of the Australian VET Sector

The VET sector plays a crucial role in providing essential training and services to meet Australia's current and future skills needs, with government, students, industry and the wider public heavily invested in funded learning and service delivery outcomes.

Significantly<sup>2</sup>:

- Every year around 3 million students undertake vocational education and training (VET). This includes:
  - 1.5 million students in government-subsidised training places, including around 400,000 apprentices and trainees.
  - 135,000 international students<sup>3</sup>, amounting to a major proportion of Australia's sizeable and strong international education market.
- In 2014-15, governments will provide an estimated \$5.9 billion in funding for subsidised training (31 per cent of which will come from the Commonwealth Government).
- Over 4,600 public, private and community providers deliver VET.<sup>4</sup>
  - Approximately half of all government-subsidised training is provided through Technical and Further Education (TAFE) institutes and other government providers.<sup>5</sup>
  - The remainder is delivered by around 2,000 registered training organisations (RTOs) that include a mix of private for-profit colleges, not-for-profit organisations such as community colleges and schools, and enterprises delivering accredited in-house training.
  - Approximately 80 education providers are registered to deliver both VET and higher education courses, including 11 TAFE institutes and 15 universities.
- There is a significant amount of non-accredited training conducted each year with around 8 million Australian workers undertaking some form of adult learning.<sup>6</sup>

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<sup>2</sup> Australian Government, *Reform of the Federation – White Paper: Roles and responsibilities and training and higher education* [Part B: Vocational Education and Training and Higher Education; Issues Paper 4] (December 2014), at 3.

<sup>3</sup> 2013 figures – see Australian Government, *Reform of the Federation – White Paper: Roles and responsibilities and training and higher education* [Part B: Vocational Education and Training and Higher Education; Issues Paper 4] (December 2014), at 3.

<sup>4</sup> December 2014 figures as per Australian Government, *Reform of the Federation – White Paper: Roles and responsibilities and training and higher education* [Part B: Vocational Education and Training and Higher Education; Issues Paper 4] (December 2014), at 3.

<sup>5</sup> 2013 figures – see Australian Government, *Reform of the Federation – White Paper: Roles and responsibilities and training and higher education* [Part B: Vocational Education and Training and Higher Education; Issues Paper 4] (December 2014), at 3.

<sup>6</sup> Australian Government, *Reform of the Federation – White Paper: Roles and responsibilities and training and higher education* [Part B: Vocational Education and Training and Higher Education; Issues Paper 4] (December 2014), at 3.

## I. Access Private VET Providers have to Public Funding

### Implications of Public Policy Changes to VET Funding Arrangements

ACU is conscious of a growing trend towards the introduction of contestability for public funding of VET across Australian jurisdictions. Under the shared national reform agenda most jurisdictions have been moving towards a market-based model, based on contestable services and competitive funding arrangements. Under this model, public providers such as TAFEs are required to compete directly with private providers in order to secure government subsidies to deliver training. For example, as of 2015, the NSW Government has introduced a contestable market to VET, whereby the public provider, TAFE NSW, is now required to compete with private providers for students and government funding.<sup>7</sup> Similarly, since 2009 the Victorian Government has progressively introduced reforms to enable eligible individuals to access government-subsidised VET training places and provision for greater competition between providers to access public funding in Victoria.

These changes in funding arrangements have shifted the roles of state and territory governments from being one of the ‘owner and provider of services’, to distinct roles as the purchaser of services and as owners.<sup>8</sup>

#### *Problems with Full Contestability for Public Funding in VET*

The Australian Government’s White Paper on the Reform of the Federation identifies that the opening up of government-subsidised places to private providers in VET has seen private providers’ share of the subsidised training market “increase to around one third Australia-wide, compared to about 20 per cent in 2009.”<sup>9</sup> As more jurisdictions move to introduce contestable funding, this share is likely to increase significantly. While the move to contestable funding models evidently lends towards greater diversity of providers in the VET sector, and has offered students greater institutional choice - for instance, the number of training providers in Victoria grew from 561 to more than 750 between 2008 and 2011<sup>10</sup> - it has also raised significant concerns that the new funding regimes are leading to outcomes that are: contrary to national objectives; resulting in inefficient government expenditure; and placing significant strain on the effective operation of public providers in delivering on their mandates, with potentially far reaching ramifications. The introduction of contestable public funding arrangements has significantly caused a decline in the market share of public providers. For instance, in Victoria, since 2008, the TAFE market share of government funded student load has fallen from almost 70 per cent to 45 per cent; and in South Australia, it fell from 71 per cent in 2011 to 51 per cent in 2012.<sup>11</sup>

In particular, equal and full contestability for public funding between private and public VET providers:

- Impacts on the ability of public providers to service regional areas and deliver courses in thin markets, especially where public providers face funding uncertainty and/or receive less funding. Notably, it creates difficulties in “regional and remote markets where some form of transparent government intervention is required to address thin, or non-existent, markets.”<sup>12</sup>
- Can fail to deliver the required and essential skills outcomes, with a mismatch between training and skills shortage. The added uncertainty of successfully securing funding under contestable funding arrangements places additional burden on public providers in terms of forward planning and ensuring sufficient financing to meet the full range of their public obligations.

<sup>7</sup> NSW Government, *Statement of Owner Expectations: NSW TAFE Commission (TAFE NSW)* (2013).

<sup>8</sup> NSW Government, *Statement of Owner Expectations: NSW TAFE Commission (TAFE NSW)* (2013).

<sup>9</sup> Australian Government, *Reform of the Federation – White Paper: Roles and responsibilities and training and higher education* [Part B: Vocational Education and Training and Higher Education; Issues Paper 4] (December 2014), at 3.

<sup>10</sup> Victorian Government, *Refocusing Vocational Training in Victoria* (2012), at 4. Available via

<http://www.education.vic.gov.au/Documents/about/departement/refocusingvetstatement.pdf>

<sup>11</sup> Noonan, P., ‘TAFE in crisis? No, but the future is changing for vocational education’, *The Conversation* (18 August 2014).

<sup>12</sup> Australian Government, *Reform of the Federation – White Paper: Roles and responsibilities and training and higher education* [Part B: Vocational Education and Training and Higher Education; Issues Paper 4] (December 2014), at 13.

- Has not evidently lifted training in areas of skills shortage.<sup>13</sup>
- Has created a race to the bottom with “popular, cheap-to-run, job-specific courses with no or limited job prospects” and “an underfunded public VET system competing with poorly regulated private providers delivering quick, low-cost qualifications — will not solve skills shortages, boost national productivity” or improve work prospects for the disadvantaged.<sup>14</sup>
- May deliver greater institutional choice, but do not necessarily deliver better quality services and outcomes.
- Can lead to unjustifiable or “unsustainable levels”<sup>15</sup> of government-funded VET activity without achieving the desired workforce outcomes where there is a lack of strong government oversight or targeted direction of funding.<sup>16</sup>

Experience shows that private education providers typically take on the high demand low cost courses. Particularly where there is a limited pool of funding available, this is at the expense of public VET providers who often are reliant on funding from such courses to maintain their financial viability while concurrently meeting their unique obligations as public providers.

To illustrate, the NSW Government now requires the public provider, TAFE NSW, to compete with private providers for students and concurrently deliver on a challenging and financially demanding range of obligations. While competing with private providers for public funding, the Government has articulated that it also expects TAFE NSW to<sup>17</sup>:

- Remain as a state-wide service catering to people all across NSW
- Provide quality training across different modes of delivery e.g. on campus, purely online, blended learning, intensive training courses
- Offer a broad choice of courses
- Deliver specialist training in workforce priority areas – this includes in thin markets and also courses in high-cost areas such as regional and rural communities as part of its community service obligations
- Deliver courses flexibly and with an ability to be adapted quickly to meet changing industry and workforce needs into the future
- Provide inclusive services as the public VET provider
- Operate as a sustainable business
- Offer a “wide and flexible suite of VET services across AQF levels to meet industry needs, based on stakeholder consultations, independent forecasts and evidence of demand.”
- Support pathways between schools and higher education programs, and support access to ongoing learning
- Lead quality, innovation and customer focus in service delivery
- Be an employer of choice – working to attract, develop and retain the best people

Private providers are free of such mandated obligations. While public providers such as TAFE NSW are assisted to meet some (but certainly not all) of the costs of providing these services through the government’s funding for community service obligations and through specific loadings for students with disabilities<sup>18</sup>, it

<sup>13</sup> Australian Education Union, *Victoria’s Tertiary Education System – Consequences for TAFE of Government’s ‘Skills Reforms’ – Briefing Paper* (February 2012), at 4.

<sup>14</sup> Australian Education Union, *Victoria’s Tertiary Education System – Consequences for TAFE of Government’s ‘Skills Reforms’ – Briefing Paper* (February 2012), at 4.

<sup>15</sup> For instance, between 2009 and 2011 under a fully contestable VET market real recurrent expenditure in Victoria rose by 34.3%, whereas for the rest of Australia it only rose by 9.3%. See National Tertiary Education Union (NTEU), *NTEU Submission to the Inquiry into the Role of the Technical and Further Education System and its Operation* (2013), at 4.

<sup>16</sup> For instance, there was a 68 per cent increase in the number of hours of training delivered from 87 million to more than 147 million between 2008 and 2011. See Victorian Government, *Refocusing Vocational Training in Victoria* (2012), at 4. Available via <http://www.education.vic.gov.au/Documents/about/departement/refocusingvetstatement.pdf>

<sup>17</sup> NSW Government, *Statement of Owner Expectations: NSW TAFE Commission (TAFE NSW)* (2013)

<sup>18</sup> While private providers may also have access to the student loadings for disability places, given the high overall costs associated with these places it is highly questionable whether many private providers would actually enter this area, and experience suggests that it is the low cost delivery models that are typically pursued by these providers.

places them in significantly more constrained circumstances than other providers. It is also important to consider the particular demographic of students who undertake VET and their choice of public or private provider. Research suggests “TAFE students are more likely to be from lower socio-economic backgrounds than university students and are more likely to be from areas where larger proportions of people receive some type of government benefit”; and these students are also more likely to live in areas of high unemployment.<sup>19</sup> Therefore, there are strong economic and equity justifications for ensuring sufficient government investment in TAFE-delivered VET.

Greater recognition and provision for public provider obligations needs to be made in funding arrangements. As the National Tertiary Education Union (NTEU) succinctly observes:

Public universities and TAFEs do not compete on a level playing field with private providers. Public providers are required to provide full student support and advocacy services, meet their community service obligations, provide equal access to all students, and deliver programs and training which are considered to be nationally or locally important even where they might be unpopular or highly expensive to deliver. These are not obligations that can easily be imposed on a private provider. These distinct obligations are not acknowledged under a funding regime that allows full contestability for direct public subsidy of students between private and public providers.<sup>20</sup>

There is also recognition at the political and government level that much of the strength, quality and reputation of Australia’s VET sector has flowed from the “strength and stability of our public provider — the TAFE system” which provides the “benchmark and ballast for the sector”, however that there is a risk of damage to the sector if government does not support and rebuild it.<sup>21</sup>

Without adequate provision to facilitate a more level playing field through differential funding for private and public providers and/or by strategically limiting contestability for public funding to quality providers and/or areas of skills shortage, the ability of public providers to deliver on their obligations will be seriously threatened. This will have flow on implications for workforce capacity in vital areas of need across the nation.

### **Greater Certainty in Government Funding Arrangements and Compliance Requirements for Providers and Students**

The progressive move to contestable funding arrangements in some jurisdictions has created significant uncertainty for students and VET providers with respect to funding arrangements and new compliance requirements. ACU considers that any contestable funding arrangements (particularly changes to arrangements) and associated compliance requirements need to provide sufficient certainty for both students and providers. Providers require sufficient lead time for forward planning with respect to business arrangements, including course offerings, and to meet regulatory compliance requirements. Arrangements should also allow sufficient time for government and providers to communicate accurate and timely advice to students about available course offerings and fees.

ACU is concerned that the funding arrangements for quality and compliant VET Providers is constantly changing and this has often resulted in complicated situations for both students and the VET sector. Constant intervention by government, with unreasonable expectations to implement change has led to viable programs suddenly becoming unviable. ACU is aware of instances where courses have been cut by such large amounts that students have been faced with the prospect of much higher fees, or courses not running at all. The speed with which funding arrangements have been altered has made business planning highly problematic, and

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<sup>19</sup> Australian Education Union, *Victoria’s Tertiary Education System – Consequences for TAFE of Government’s ‘Skills Reforms’ – Briefing Paper* (February 2012), at 2.

<sup>20</sup> National Tertiary Education Union (NTEU), NTEU Submission to the Inquiry into the Role of the Technical and Further Education System and its Operation (2013).

<sup>21</sup> Bird, Sharon, ‘White paper misses complexity of VET’ *The Australian* (29 January 2015), at [http://www.theaustralian.com.au/higher-education/white-paper-misses-complexity-of-vet/story-e6frgcjx-1227199423240?utm\\_source=feedburner&utm\\_medium=feed&utm\\_campaign=Feed%3A%20TheAustralianHigherEducationNews%20%28The%20Australian%20%7C%20Higher%20Education%29](http://www.theaustralian.com.au/higher-education/white-paper-misses-complexity-of-vet/story-e6frgcjx-1227199423240?utm_source=feedburner&utm_medium=feed&utm_campaign=Feed%3A%20TheAustralianHigherEducationNews%20%28The%20Australian%20%7C%20Higher%20Education%29)



given that funding can be cut or significantly reduced with a very short lead time, this has made it difficult for providers to re-arrange their courses in a financially efficient and sustainable way.

To illustrate the need for reform and greater certainty in funding arrangements and compliance requirements, ACU is aware of the following concerning incidents and issues in NSW<sup>22</sup>:

- A provider seeking reaccreditation submitted documents in 2014 having received written confirmation from the authority that it would be assessed according to the old competency standards, although new competency standards were to be introduced in 2015. Latterly however, the provider was advised by the authority that it would be audited under the new competency standards in 2015 with the audit date to take place in March 2015. Such practices are inflicting wasteful, onerous and expensive administrative burden on providers and challenging the ability of affected providers to compete on a level playing field with other providers.
- The State Government has not set the funding levels in place for VET courses in 2015, despite the year and training having already commenced. When a provider asked the NSW Department of Education and Training when it would set the funding levels, the Department did not know. This state of funding arrangements is a major concern for providers and the broader VET sector, as it impacts on forward business planning for providers, to the potential detriment of students, industry and skills supply where course offerings and fees are impacted due to uncertain funding arrangements and through a lack of timely notice of funding levels.

### Careful Investment of Limited Public Funds

Skills Australia<sup>23</sup>, having responsibility to provide advice on Australia's current, emerging and future skills and workforce development needs, recommended "heavy" student subsidies and government loans and warned that state governments are reducing their expenditure on VET.<sup>24</sup> Such investment, however, evidently needs to be carefully managed.

In an increasingly constrained fiscal environment, it is especially vital that public money is carefully invested and is directed to providers that commit funding to the activities for which they are intended. There have been a number of reports of private VET providers misappropriating and rorting the public funding system for their own financial gain; rather than to advance quality VET (Section IV details some of the unscrupulous practices adopted by private VET providers).

Some private providers are in receipt of millions of dollars of public funding, from both the federal and state government, and have been deregistered as non-compliant with the standards that have been imposed with their contract. Alarming, a 2013 PricewaterhouseCoopers (PwC) report reveals that approximately 75 per cent of RTOs, when audited, were found to be non-compliant at the initial audit.<sup>25</sup> If full contestability for public funding is maintained and extended without reform, the number of private VET providers in the market will further increase (as is already occurring). This will further challenge the ability of government and regulatory authorities, particularly the Australian Skills Quality Authority (ASQA), to execute timely regulation of the sector to ensure the proper investment of public funding and quality in VET. Section III identifies areas for regulatory reform in the VET sector.

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<sup>22</sup> As of 2015, the NSW Government introduced a contestable market to VET in the state, whereby the public provider, TAFE NSW, is now required to compete with private providers for students and government funding.

<sup>23</sup> Skills Australia (superseded by the Australian Workforce and Productivity Agency (AWPA)) has had its functions transferred to the federal Department of Industry [see <http://www.awpa.gov.au/Pages/default.aspx>].

<sup>24</sup> Australian Education Union, *Victoria's Tertiary Education System – Consequences for TAFE of Government's 'Skills Reforms' – Briefing Paper* (February 2012), at 1.

<sup>25</sup> PricewaterhouseCoopers (PwC), *ASQA Process Review: Final Report* (2013); Australian Government, *Standards for Registered Training Organisations and VET Regulators – Decision Regulation Impact Statement for the decision of the COAG Industry and Skills Council*, at 13.

## Policy Reform Proposal

Where public funding is extended to private VET providers, ACU suggests governments consider the following options:

### *Differential Funding Options*

There should be differential funding of public and private VET providers, to recognise the additional responsibilities and costs borne by public providers, including expenditure on:

- Programs and training which are vital to national or local needs even though they may be costly, have low demand and be unpopular to deliver.
- More extensive services than private providers. This includes full student support and advocacy services, and provision of equal access to all students.
- Community service and community engagement obligations as public institutions.
- Servicing existing infrastructure such as learning management systems and the provision of campus experiences built as part of existing TAFE and dual-sector university infrastructure.

### *Only Eligible private VET providers to have access to government funding*

The eligibility of private VET providers to contest for public funding should be limited to providers with an established track record of delivering quality VET training and to low risk providers. A requirement could be introduced that new private providers must operate in the sector for a minimum period of time, such as five years, and demonstrate a record of quality service delivery, before they can gain eligibility to contest for public funding. This would serve to:

- Discourage providers from entering the VET market purely for opportunistic reasons that lack quality educational outcomes.
- Slowing the rate of entry of new providers into the VET market to avoid a sudden unmanageable influx of providers which will occur as jurisdictions shift to contestable funding models.
- Support more informed choice in the market by providing students, government, and industry more information about the quality of VET delivered by individual new providers.
- Facilitate better investment of government funds (including VET FEE-HELP loans) by reducing the number of high risk and/or low quality providers in the market.

In the alternative a cap could be placed on the number of publicly funded students new providers may take on, until these providers have a demonstrated track record of quality course delivery and student outcomes (this might include consideration of student satisfaction and graduate outcomes).

In addition any contestable funding arrangements need to provide sufficient certainty for both students and providers. Providers require sufficient lead time for forward planning with respect to business arrangements, including course offerings, and to meet regulatory compliance requirements. Similarly, funding arrangements should allow sufficient time for government and providers to communicate accurate and timely advice to students about available course offerings and fees.

## II. The Cost of Education at Private VET Providers and the Operation of VET FEE-HELP

### Background

The Commonwealth Government introduced VET FEE-HELP, the income contingent loan scheme for VET students, in diploma and advanced diploma full-fee qualifications in 2009 to give them similar support to what is available to higher education students.<sup>26</sup> In 2012, as part of the Skills Reforms, access to income contingent loans was expanded to subsidised higher level courses and the scheme is also being trialled at the Certificate IV level for specified courses.<sup>27</sup>

In 2015, the VET FEE-HELP loan limit is \$97,728 for most students.<sup>28</sup> This is a sizeable amount of funding for private VET providers to potentially access in jurisdictions where competitive funding arrangements have been introduced. Significantly, there are few restrictions on the fees providers can charge for VET FEE-HELP qualifications. It is the students who lose out with a large debt to be repaid and in cases where disreputable providers have been involved, with no useful qualification with which to enter the workforce. As senior politicians recognise, there are serious grounds for concern, with “ample reported evidence of students being enrolled in inappropriate courses and being given misleading information on their debt already available as unscrupulous providers seek to profit from the funding system.”<sup>29</sup>

There are some alarming trends of private VET providers profiteering out of public funding. A recent study has revealed that Victorian government funding of for-profit colleges has soared from \$137 million in 2008 to \$799 million in 2013.<sup>30</sup> The study has further found that Victorian government subsidies bankrolled \$606 million in private college profits between 2011 and 2013. The profit margins leveraged from public subsidies at three listed training companies - Vocation, Australian Careers Network and Ashley Institute of Training - averaged 35 per cent in 2013.<sup>31</sup> There are additional detrimental consequences for students where profit-oriented and non-compliant providers are no longer able to maintain their operations, and are forced to close down – leaving students out of pocket and with partial or no VET in return. For instance, a recent report indicates that the private provider Vocation, which was listed in late 2013, “earned \$7.9m in profits from public subsidies that year”, however the company is now in a trading halt further to compliance issues which have “sent its share price into free fall.”<sup>32</sup>

Some private VET providers are charging high course fees, especially for international students, which are disproportionately higher than public provider fees for similar courses; delivering courses of a low standard;

<sup>26</sup> Australian Government, *Reform of the Federation – White Paper: Roles and responsibilities and training and higher education* [Part B: Vocational Education and Training and Higher Education; Issues Paper 4] (December 2014), at 13.

<sup>27</sup> Australian Government, *Reform of the Federation – White Paper: Roles and responsibilities and training and higher education* [Part B: Vocational Education and Training and Higher Education; Issues Paper 4] (December 2014), at 13.

<sup>28</sup> Study Assist – Australian Government, *Thinking about a VET qualification? VET FEE-HELP 2015*, at

<http://studyassist.gov.au/sites/StudyAssist/HelpfulResources/Documents/2015%20VET%20FEE-HELP%20Brochure.pdf> ; Study Assist – Australian Government, ‘Study Assist’, at

<http://studyassist.gov.au/sites/studyassist/help-paying-my-fees/fee-help/pages/fee-help->

<sup>29</sup> Bird, Sharon, ‘White paper misses complexity of VET’ *The Australian* (29 January 2015), at

[http://www.theaustralian.com.au/higher-education/white-paper-misses-complexity-of-vet/story-e6frgcjx-1227199423240?utm\\_source=feedburner&utm\\_medium=feed&utm\\_campaign=Feed%3A%20TheAustralianHigherEducationNews%20%28The%20Australian%20%7C%20Higher%20Education%29](http://www.theaustralian.com.au/higher-education/white-paper-misses-complexity-of-vet/story-e6frgcjx-1227199423240?utm_source=feedburner&utm_medium=feed&utm_campaign=Feed%3A%20TheAustralianHigherEducationNews%20%28The%20Australian%20%7C%20Higher%20Education%29)

<sup>30</sup> Workplace Research Centre – The University of Sydney, *The Capture of Public Wealth by the For-Profit- VET Sector* (January 2015), at <http://www.aeufederal.org.au/Tafe/WRCAEU2015.pdf> ; Ross, J., ‘Dud training funds lining private pockets’ *The Australian* (6 February 2015), at <http://www.theaustralian.com.au/higher-education/dud-training-funds-lining-private-pockets/story-e6frgcjx-1227209759835>

<sup>31</sup> Ross, J., ‘Dud training funds lining private pockets’ *The Australian* (6 February 2015), at

<http://www.theaustralian.com.au/higher-education/dud-training-funds-lining-private-pockets/story-e6frgcjx-1227209759835>

<sup>32</sup> Ross, J., ‘Dud training funds lining private pockets’ *The Australian* (6 February 2015), at

<http://www.theaustralian.com.au/higher-education/dud-training-funds-lining-private-pockets/story-e6frgcjx-1227209759835>

and which do not deliver the contact hours that students have been charged for. For example, there is a report of a provider delivering a Diploma in Events Management in 20 hours, even though students had enrolled in, and were charged for, a 400-hour course.”<sup>33</sup> There are also cases of private VET providers charging students more than twice as much as TAFEs for similar courses, and of unregistered providers using government loans to lure students into costly courses (essentially using “train now, pay later” type marketing tactics). An October 2014 media report, for instance, identified Aussia Training Centre as charging \$11,000 for a Diploma of Early Childhood, whereas TAFE charged only \$1,500 for its subsidised course and \$5,000 for one of its commercial versions of the course. Aussia reportedly encouraged students to defer their course costs to the VET FEE-HELP scheme, where they would not have to make repayments until they earned \$53,000. The report noted that the median wage for a childcare worker in Australia is \$49,000, “meaning many are unlikely to repay the debt.”<sup>34</sup>

ACU considers that VET fees at private and medium and high risk providers should be closely monitored, with a view to ensuring that they reflect the costs of course delivery and future earnings. Funding should also equate to successful completions and successful relevant graduate employment or further study. Unnecessary and excessive regulatory burden should not be placed on low risk providers, as this increases administrative costs and unduly ties up public funding that could be better directed to VET delivery. While public TAFE providers are required to subsidise a broad range of activities as part of their obligations as public providers, “most private providers...operate a very low cost delivery model with far less infrastructure and fewer services than TAFE.”<sup>35</sup> Ensuring that unscrupulous providers do not charge excessive fees, which are deferred by students under VET FEE-HELP arrangements, is also particularly important in the interests of managing future student debt repayment and for government fiscal planning. For instance, research indicates that people with VET diploma or advanced diploma qualifications are less likely to repay their HELP debt than are higher education graduates.<sup>36</sup>

### **Policy Reform Proposal**

ACU is concerned about practices adopted by some private VET providers which are operating to return a profit at the expense of providing quality educational outcomes. ACU considers that reform is required of VET fees and funding. In particular:

- Fees charged by private VET providers in receipt of public funding require close monitoring, and should better reflect students’ future earning potential and the cost of delivery for particular courses.
- Funding would be better targeted to low risk providers focused on quality outcomes.
- Funding should also equate to successful completions and employment or further study outcomes.

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<sup>33</sup> Australian Education Union, *Victoria’s Tertiary Education System – Consequences for TAFE of Government’s ‘Skills Reforms’ – Briefing Paper* (February 2012), at 3.

<sup>34</sup> Aird, C. and Branley, A., ‘Unregistered training colleges target disadvantaged, sign them up to expensive government loans’ *ABC News* (10 October 2014) at <http://www.abc.net.au/news/2014-10-06/unregistered-training-colleges-target-low-income-earners/5793246>

<sup>35</sup> Noonan, P., ‘Learning from Victoria’s TAFE mistakes’ (9 December 2014), at <http://mitchellinstitutebrief.org/2014/12/09/learning-from-victorias-tafe-mistakes/>

<sup>36</sup> Norton, A. – Grattan Institute, *Doubtful Debt: The rising cost of student loans* (2014), at 21. Available at <http://grattan.edu.au/wp-content/uploads/2014/04/809-doubtful-debt1.pdf>

### III. The Regulatory Regime Private VET Providers Operate Within

The Australian VET sector is overseen by a number of regulatory, policy and advisory bodies at the Federal and State/Territory levels, with eight different systems currently in operation across Australia.<sup>37</sup> This uncoordinated intervention and involvement of a multitude of regulatory bodies in the VET sector has resulted in a lack of consistency in national strategy, policy, regulation and standards, which in turn has brought about significant inefficiency, inconsistency and duplication in reporting requirements for providers. Such a range of regulatory requirements and fundamental changes to funding arrangements also places increasing financial burden on providers simply in order for them to maintain compliance.

During consultations in 2012 and 2013 stakeholders raised the complexity and inefficiency of the VET regulatory framework and that there are concerns about the quality of RTOs and training.<sup>38</sup> The main identified weaknesses were that the current regulatory approach adopted in the VET sector is:

- Out-dated
- Complex and inconsistently applied
- Places an undue regulatory burden on high-performing RTOs
- Has weak enforcement mechanisms<sup>39</sup>

A 2013 PricewaterhouseCoopers (PwC) report suggested that greater clarity in the Standards for Registered Training Organisations (RTOs) could also be conducive to greater levels of provider compliance with the regulatory standards.<sup>40</sup> The report noted a high level of provider (or RTO) non-compliance with the Standards when initially audited, however considered that “while RTOs are failing to correctly understand their compliance requirements, the reasoning behind this may be attributable to a lack of proper knowledge regarding what requirements must be undertaken to achieve satisfactory compliance.”<sup>41</sup> In October 2014, the Commonwealth released new Standards for RTOs and the new Standards for VET Regulators, which aim to address the quality of RTOs and training. It will be important to keep a close watch on the impact and effectiveness of these new Standards.

ACU suggests that a review of the regulatory systems overseeing the VET sector could seek to alleviate established quality providers from the imposition of unnecessary regulatory burdens which are counter to the efficient functioning of the sector. Promisingly, the Assistant Minister for Education and Training, Minister Birmingham, recently commented on the Australian Government’s ambitions to ensure better targeting of “dodgy training providers while aiming to ease the red tape burden on good providers.”<sup>42</sup> ACU supports those aims.

A more consistent, streamlined and coordinated regulatory system and reporting requirements would serve to more effectively regulate providers. Most importantly, it would better allow RTOs to concentrate on their primary role of delivering quality VET; freeing up resources to concentrate on the needs of students and industry.

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<sup>37</sup> Australian Government, *Reform of the Federation – White Paper: Roles and responsibilities and training and higher education* [Part B: Vocational Education and Training and Higher Education; Issues Paper 4] (December 2014), at 1.

<sup>38</sup> Australian Government, *Standards for Registered Training Organisations and VET Regulators – Decision Regulation Impact Statement for the decision of the COAG Industry and Skills Council*, at 42. See <http://www.vetreform.industry.gov.au/files/Decision%20Regulation%20Impact%20Statement.pdf>

<sup>39</sup> Australian Government, *Standards for Registered Training Organisations and VET Regulators – Decision Regulation Impact Statement for the decision of the COAG Industry and Skills Council*, at 13. See <http://www.vetreform.industry.gov.au/files/Decision%20Regulation%20Impact%20Statement.pdf>

<sup>40</sup> PricewaterhouseCoopers (PwC), *ASQA Process Review: Final Report* (2013); Australian Government, *Standards for Registered Training Organisations and VET Regulators – Decision Regulation Impact Statement for the decision of the COAG Industry and Skills Council*, at 13.

<sup>41</sup> PricewaterhouseCoopers (PwC), *ASQA Process Review: Final Report* (2013); Australian Government, *Standards for Registered Training Organisations and VET Regulators – Decision Regulation Impact Statement for the decision of the COAG Industry and Skills Council*, at 13.

<sup>42</sup> Simon Birmingham Media Release – ‘Queensland consulted on Vocational Education and Training’ (16 February 2015), at <http://www.senatorbirmingham.com.au/Latest-News/ID/2608/Queensland-consulted-on-Vocational-Education-and-Training>

ACU stresses that an effective regulatory system is imperative to ensuring the delivery of quality VET courses and training and to discourage the growth of unscrupulous and low quality providers which give the entire sector a poor reputation. As the Knight Review highlighted:

Going forward, maintaining Australia's reputation for quality is intrinsic to building a sustainable international education sector. We need good quality students in good-quality courses. Any diminution in quality compromises Australia's education "brand" and is harmful to the sector as a whole. It also tarnishes Australia's broader reputation for quality and could undermine our national "brand" beyond the education sector.<sup>43</sup>

ACU believes that the experience of the higher education sector in similarly seeking to reduce unnecessary red tape and regulatory burden on providers could be instructive in the VET sector context. Similar arrangements to those adopted in the higher education sector, as administered by the Tertiary Education Quality and Standards Agency (TEQSA), could be put in place whereby low-risk providers would have a lower threshold of evidence to provide for re-accreditation or re-registration. The approach adopted by TEQSA is articulated below:

Under TEQSA's revised Risk Assessment Framework... provider risk profiles are developed and inform TEQSA's regulatory approach – that is, the level of assessment a provider receives. A provider's risk profile is determined by its history of higher education delivery, previous regulatory outcomes, and their risk assessment, which focuses on risks to students, financial position and academic risks. The latter includes an assessment of a provider's internal capability to quality assure their teaching and learning performance and outcomes.

This means that a low-risk provider seeking re-registration is asked for evidence against a reduced set of standards only. A tailored extension to these requirements may be made on the basis of higher risk. In exceptional cases, providers are assessed to the widest and deepest extent possible. For course accreditations and re-accreditations, the reforms focused on a reduction in evidence requirements for low-risk providers, without narrowing the scope of standards considered.<sup>44</sup>

Recent measures introduced in the United Kingdom to better and more rigorously regulate private providers could also be explored, with a view to considering the suitability of adopting some of these measures (or similar) in the Australian context. The UK has experienced significant issues further to its extension of public funding to for-profit colleges, albeit in the higher education sector, where funding "soared from just £30 million in 2010...to a projected total of nearly £1 billion [2015]."<sup>45</sup> The country is now trying to redress serious problems with unscrupulous and poor quality private providers operating in the market and seeking to secure "improved standards" and strengthen quality assurance processes. The rigorous, and prudent, new measures announced<sup>46</sup> by the Government of the United Kingdom include major reforms that will require and subject private (or 'alternative') providers to:

- A 'fit and proper person' test will apply to all directors of alternative providers as a specific requirement of the annual [funding] designation process, in line with practice in the publicly-funded sector. Changes of directors, or their circumstances, will need to be notified during the year, as well as at the annual designation point.
- Submit information on students' previous qualifications, demographic characteristics and achievements.

<sup>43</sup> Knight, Michael, *Strategic Review of the Student Visa Program 2011* (2011), at 5.

<sup>44</sup> Tertiary Education Quality and Standards Agency (TEQSA), *Section 1 - Review by the Acting Chief Commissioner - Annual Report 2013-2014*, at 3. Available at [http://www.teqsa.gov.au/sites/default/files/publication-documents/TEQSA2014AnnualReport\\_Section01ReviewByTheChiefCommissioner.pdf](http://www.teqsa.gov.au/sites/default/files/publication-documents/TEQSA2014AnnualReport_Section01ReviewByTheChiefCommissioner.pdf)

<sup>45</sup> Morgan, J., 'Government announces new rules for private colleges', *Times Higher Education* (29 January 2015), at <http://www.timeshighereducation.co.uk/news/government-announces-new-rules-for-private-colleges/2018254.article>

<sup>46</sup> United Kingdom House of Commons Written Statement (HCWS23) by Minister of State for Universities and Science (Greg Clark), Department for Business, Innovation and Skills, 'Higher Education' (29 January 2015), at <http://www.parliament.uk/documents/commons-vote-office/January%202015/29%20January/1.BIS-Higher-Ed.pdf>

- [Subject to consultation] introduce a minimum English language requirement to ensure that students studying for qualifications at alternative providers have sufficient language skills to succeed at their course require alternative providers
- [Subject to consultation] provide students with good quality information on: student satisfaction ratings, graduate salaries and employment, tuition fees, financial support and the cost of accommodation.
- A rapid response investigatory team, which will be able quickly to investigate allegations of abuse of the system.
- Alternative providers will be required to have registered any student with the relevant qualification awarding body before a claim for tuition fee support for that student can be made.
- Alternative providers will need to be redesignated every year, rather than remaining designated indefinitely. This will not apply to the seven providers with Degree Awarding Powers that have courses designated for student support
- As a condition of designation providers will undergo a strengthened quality assurance process.<sup>47</sup>

### Policy Reform Proposal

The current VET sector regulatory regime is complex, inconsistent and inefficient and expends resources that could be better spent on students. ACU recommends a review be undertaken of VET sector regulation. Such a review should seek to:

- Secure a more streamlined regulatory system through better coordination between the state/territory and federal governments, and within individual jurisdictions, with respect to the regulation and reporting requirements in place for VET providers (both private and public).
- Eliminate unnecessary and ineffective regulatory reporting and increase regulatory oversight to identify and deal with poor quality VET providers. Re-accreditation processes are extremely time consuming, costly and are an exercise in box ticking. Re-accreditation should involve a more pedagogical approach to quality outcomes as opposed to an exercise in paper shuffling.
- Eliminate duplicate reporting requirements and align these more with Tertiary Education Quality and Standards Agency (TEQSA) requirements for Higher Education.
- Identify opportunities to reduce the evidence and reporting requirements for low risk providers. Similar arrangements to those adopted in the higher education sector, as administered by TEQSA, could be put in place whereby low-risk providers would have a lower threshold of evidence to provide for re-accreditation.
- Consider new measures, or minimum conditions to be met, for private VET providers, to more effectively regulate them before they can contest for public funding.

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<sup>47</sup> Written Statement by Minister of State for Universities and Science (Greg Clark), Department for Business, Innovation and Skills, United Kingdom, 'Higher Education' (29 January 2015), at <http://www.parliament.uk/documents/commons-vote-office/January%202015/29%20January/1.BIS-Higher-Ed.pdf>

## IV. Marketing and Promotional Techniques Employed by Private VET Providers and Education Brokers both Domestic and International

Australia's VET system is regarded highly globally. Any damage to the reputation of the sector will have implications not only on domestic students and industry, but also on the large international market for Australian VET.<sup>48</sup> This will have far reaching implications for the Australian economy. The 2011 Knight Review, while focusing on Australia's student visa program, poignantly observed that "Australia has a justifiable reputation as a quality provider of education", and particularly emphasised that "Australia's 'brand' depends on quality".<sup>49</sup> While noting that there are quality providers in both public and private sectors, it acknowledged that: "Regrettably it is also the case that in recent years some low quality providers entered the sector particularly...in some parts of the private VET sector." The 'international student crisis' saw significant provider closures, and inflicted bad international publicity for Australia, with a significant number of (primarily) private VET providers closing with "little or no warning" – For instance, 16 providers closed in 2009 displacing 5,795 international students; and a further 5,891 students were displaced in 2010 when another 33 providers closed; with some students being displaced more than once in some cases.<sup>50</sup>

The introduction of contestable per-student funding into the VET sector has particularly seen a proliferation of private providers and their agents engaging in opportunistic behaviour and rorting the public funding system. This has brought the entire sector into disrepute.

ACU is concerned with the extent of serious reports of unscrupulous behaviour adopted by private VET providers. This has resulted in advantage being taken of students, particularly vulnerable individuals, and significant rorting of the public funding system. Major incidents have involved private providers:

- Signing up vulnerable people with intellectual disabilities and into unsuitable courses<sup>51</sup>
- Targeting individuals in public housing/low income earners and individuals from non-English speaking backgrounds<sup>52</sup>
- Targeting individuals in aged-care homes<sup>53</sup>
- Rorting the public funding system and profiteering from charging high course fees – including some courses that cost twice as much as TAFE<sup>54</sup>
- Engaging in unscrupulous and misleading marketing tactics and incentives<sup>55</sup>

<sup>48</sup> In 2013, there were 135,000 international students undertaking VET in Australia. See Australian Government, *Reform of the Federation – White Paper: Roles and responsibilities and training and higher education* [Part B: Vocational Education and Training and Higher Education; Issues Paper 4] (December 2014), at 3.

<sup>49</sup> Knight, Michael, *Strategic Review of the Student Visa Program 2011* (2011), at 5.

<sup>50</sup> Knight, Michael, *Strategic Review of the Student Visa Program 2011* (2011), at 12.

<sup>51</sup> Brandley, A., and Aird, C., 'Training colleges securing thousands in Government funds by targeting people with disabilities' *ABC News* (18 October 2014), at <http://www.abc.net.au/news/2014-10-18/private-training-colleges-target-the-homeless-disabled/5819756>; 666 ABC Canberra, AM (Saturday), Elizabeth Jackson (18 October 2014); Aird, C - ABC AM – Transcript – 'Private colleges signing intellectually disabled students despite capacity to repay debits', *ABC AM* (18 October 2014), at <http://www.abc.net.au/am/content/2014/s4109777.htm>; 'Lukus Whitehead', *ABC News* (16 October 2014) at <http://www.abc.net.au/news/2014-10-16/lukus-whitehead/5820372>.

<sup>52</sup> Atkin, M., 'Trainees unable to complete private courses should have fees waived, community workers say' *ABC News* (22 December 2014); 'Con artists flogging courses with debt', *Daily Examiner (Grafton)* (11 December 2014).

<sup>53</sup> Aird, C., and Branley, A., 'Unregistered training colleges target disadvantaged, sign them up to expensive government loans', *ABC News* (10 October 2014), at <http://www.abc.net.au/news/2014-10-06/unregistered-training-colleges-target-low-income-earners/5793246>

<sup>54</sup> Gilmore, H., 'College close after student pay \$7000', *The Sydney Morning Herald* (16 February 2010), at <http://www.smh.com.au/nsw/college-close-after-student-pay-7000-20100215-o34w.html>; Aird, C., and Branley, A., 'Unregistered training colleges target disadvantaged, sign them up to expensive government loans', *ABC News* (10 October 2014), at <http://www.abc.net.au/news/2014-10-06/unregistered-training-colleges-target-low-income-earners/5793246>; EMBIN, 'Alarming low completion rates for online VET courses' *Emerging Markets Business Information News* (19 January 2015); Dumaresq, S., 'Problems with one education stock will not slow down a sector poised to thrive' *The Australian* (25 November 2014); Aston, J., 'How Vocation fell to the bottom of the class' *The Australian Financial Review* (29 October 2014); Dodd, T., 'Providers' data 'amazing'', *The Australian Financial Review* (3 November 2014); Hewett, J., 'Training still in starting blocks' *The Australian Financial Review* (9 September 2014).



- Using disreputable third parties/agents to recruit students<sup>56</sup>
- Delivering poor quality courses<sup>57</sup>
- Operating under poor, unreliable financial management<sup>58</sup>

The following provides anecdotes of the alarming volume and range of unscrupulous and opportunistic practices adopted by private providers in the VET sector, as reported in the media. It is important that government urgently acts to protect students from such ‘shonky’ private VET providers.

ACU reiterates its concerns that there is no reason to suppose that the same dodgy practices adopted by private VET providers will not also be adopted by private higher education providers if CSP is extended to NUHEPs. The salutatory lesson from the conduct of private providers in the VET space should give Senators and policymakers ample evidence to reconsider the extension of CSP to private providers in higher education.

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<sup>55</sup> Rice, J., ‘Uncapping education fees and unleashing the unscrupulous’, *The Conversation* (19 May 2014), at <http://theconversation.com/uncapping-education-fees-and-unleashing-the-unscrupulous-26810>; Aird, C., and Branley, A., ‘Unregistered training colleges target disadvantaged, sign them up to expensive government loans’, *ABC News* (10 October 2014), at <http://www.abc.net.au/news/2014-10-06/unregistered-training-colleges-target-low-income-earners/5793246>; EMBIN, ‘Alarming low completion rates for online VET courses’ *Emerging Markets Business Information News* (19 January 2015); Atkin, M., ‘Trainees unable to complete private courses should have fees waived, community workers say’ *ABC News* (22 December 2014); Dunckley, M., and Mather, J., ‘Gillard’s training reform hit by blowout’, *The Australian Financial Review* (2 July 2012); Trounson, A., ‘TAFE body wants shonky advertising by private VET providers investigated’, *The Australian* (18 May 2011).

<sup>56</sup> Ross, J., ‘VET fee scheme ‘open to misuse’, *The Australian* (29 October 2014); Aston, J., ‘How Vocation fell to the bottom of the class’, *The Australian Financial Review* (29 October 2014); Das, S., ‘Pressure to rein in ‘corrupt’ colleges’, *The Age* (14 April 2009), at <http://www.theage.com.au/national/pressure-to-rein-in-corrupt-colleges-20090413-a4tq.html>

<sup>57</sup> Peace, M., ‘Market not always the best provider’, *The Age* (28 April 2014); Ross, J., ‘VET fee scheme ‘open to misuse’, *The Australian* (29 October 2014); Australian Education Union, ‘Register VET teachers now to crack down on dodgy providers’ (11 August 2009), at [http://www.aeuvic.asn.au/1249962981\\_19352.html](http://www.aeuvic.asn.au/1249962981_19352.html); ABC 7:30 Report, ‘Vocational training faces fleecing and cuts’ (7 August 2012), at <http://www.abc.net.au/7.30/content/2012/s3562790.htm>; Comments made by Peter Rushbrook (Institute for Adult Learning, Singapore) in ABC Transcripts – ‘The Cinderella sector: vocational education and training in Australia’ (12 August 2013); Bitá, N., ‘When ‘qualified’ is no guarantee of competence’, *The Australian* (6 September 2014); Comments made by Peter Rushbrook (Institute for Adult Learning, Singapore) in ABC Transcripts – ‘The Cinderella sector: vocational education and training in Australia’ (12 August 2013).

<sup>58</sup> ‘Sterling College in Sydney goes bust’, *The Australian* (28 July 2009), at <http://www.theaustralian.com.au/news/sterling-college-in-sydney-goes-bust/story-e6frg6n6-1225755333187>; Gilmore, H., ‘College close after student pay \$7000’, *The Sydney Morning Herald* (16 February 2010), at <http://www.smh.com.au/nsw/college-close-after-student-pay-7000-20100215-o34w.html>; Australian Education Union, *International Education Crisis and the Failure of Private Providers* (February 2010), at <http://www.aeusa.asn.au/03ie.pdf>; ‘Private educators demand regulator’, *Herald-Sun* (9 December 2014).

## Examples of the unscrupulous practices adopted by private providers in the VET sector

### Training colleges securing thousands in Government funds by targeting people with disabilities

By Alison Branley and Claire Aird  
Updated 18 Oct 2014, 11:12pm

### Con Artists Flogging Courses with Debt

Daily Examiner Grafton, N.S.W.  
December 11, 2014 | Copyright

**THREE** out of four training colleges have given students substandard training or questionable assessments, the industry regulator has revealed.

Just 20 per cent of the 1515 colleges audited by the Australian Skills Or...

### 'Charged \$8000 for absolutely nothing'

Daily Telegraph, 00:20, 12 November 2014, 1782 words, Frank Chung, FRANK CHUNG, (English)

Acquire Learning Pty Ltd, an umbrella organisation which markets courses from a range of vocational training providers, has previously been criticised for its aggressive sales techniques.

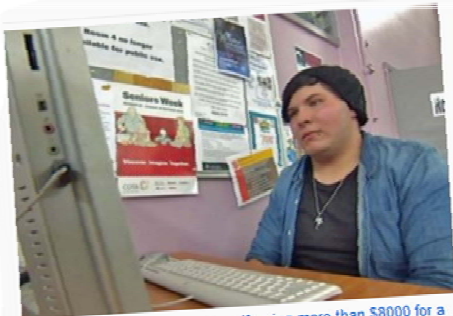


PHOTO: Jake Wright finds himself owing more than \$8000 for a course he had no hope of completing.

### VET providers overpaid \$16m in loan scheme

#### Aged care homes targeted

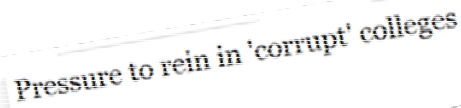
Industry figures suggest there are also reports of other colleges targeting public housing areas and aged care homes.

One man in a public housing area in Warwick Farm in western Sydney told the ABC he was encouraged to sign up to a loan just to get the free laptop, and he need not attend classes.

The ABC has learned some private colleges are targeting areas of Sydney with high rates of public housing and residents whose first language is not English.



Acquire Learning facing ASQA scrutiny amid allegations of unethical behaviour



Pressure to rein in 'corrupt' colleges

## Unregistered training colleges target disadvantaged, sign them up to expensive government loans

By the National Reporting Team's Claire Aird and Alison Branley

Updated 10 Oct 2014, 4:06pm

### Lukus Whitehead

Posted 16 Oct 2014, 8:12pm

Student Lukus Whitehead, who is intellectually disabled has an \$18,000 debt after being signed up to two courses

At the extreme end of this practice, it appeared that some organisations were gathering data from sources such as the National Training Register creating lists of RTOs to attract students.

Australian Skills Quality Authority (ASQA)

### Alarming Low Completion Rates For Online VET Courses

286 words

19 January 2015

Emerging Markets Business Information News

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English

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## Trainees unable to complete private courses should have fees waived, community workers say

By Michael Atkin

Updated 23 Dec 2014, 9:04am

There are calls to waive the debts of Tasmanian students sold private training courses worth thousands of dollars that they were incapable of finishing.

Former student Jake Wright was excited when he signed up for a double diploma of business and management with Careers Australia. But he was out of his depth and contacted a tutor who advised him to watch YouTube videos.

## Certificate recall exposes training

ANDREW TROUNSON THE AUSTRALIAN FEBRUARY 19, 2015 12:00AM

ALMOST 10,000 government-funded vocational students in Victoria have had their qualifications recalled in the past year because of concerns about poor training and standards breaches, stoking calls for a regulatory crackdown.