

## SENATE SUBMISSION VET FEE HELP

### ISSUE 1

#### TOO MUCH COMMERCIAL PROFITEERING

Many private providers view VFH funding as a quick way to make millions in profit.

It is the student who incurs the debt. In the meantime private provider owners walk away with millions in income. A system saddling Australian youth with huge financial debt whilst rewarding individual owners with huge profits is wrong. Australia's youth, comprising the bulk of VFH students, should not be made vulnerable to such exploitation.

In addition, who else pays for private providers' profits? The ordinary tax payer. It is morally wrong to allow individuals to tap into millions of dollars of taxpayer funds and have nothing to show for it; that is, many providers have almost no graduates yet make millions in profits.

#### SOLUTION

New legislation needed, like the VRQA's *Guide to the minimum standards and other requirements for school registration* (Ref:

<http://www.vrqa.vic.gov.au/registration/Pages/newschool.aspx#H3N100A5>),

which mandates that **all profits must be channelled back into education**. This will remove those providers who enter into VFH for a "quick buck", milking an already cash-strapped Australian economy of funds desperately needed elsewhere such in as childcare and for pensions.

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## ISSUE 2

### DISHONEST MARKETING PRACTICES

VFH providers use door to door sales staff. No-one can control what the sellers say or do in a bid to make a commission. Schools and universities do not sell door-to-door. It undermines education's integrity. Only up-front sales techniques, one's over which the provider has complete control should be permitted. Examples of such marketing practices include open days, front counter sales, advertising on billboards, etc.

Banning door to door sales will ensure that only genuine students, that is, the ones who make an effort themselves to contact a provider, are recruited. Introducing marketing practices that focus on students themselves approaching providers will remove the many thousands of students currently being recruited who have no interest in study and simply incur a debt for the sake of a "free laptop" or other incentive used by door to door sellers acting on behalf of private provider owners.

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## ISSUE 3

### INEFFECTIVENESS OF CURRENT GOVERNMENT STRATEGIES (RE: DOOR-TO-DOOR SALES)

Current government strategy is to send providers written warnings that the providers are responsible for all marketing practices and, in the event of non-compliance, the provider, and not the salesman, will be held responsible. Such warnings are "toothless tigers" because the Department of Education does not have the resources to thoroughly investigate each and every claim and simply

relies upon the provider's response. And the provider will always respond with evidence in their favour rather than in the student's. Further, no-one, not the provider, nor the Department, has any idea of what individual VFH sales staff are doing when out selling VFH courses. The sales staff are in the field, the provider, even the one with the best of intentions, is in the office, well away from where the door to door activities are taking place. How would the provider know what the door-to-door seller is saying to new students? What unethical, misleading tactics are the door-to-door sales teams using? In the final outcome, if a student submits a complaint to the Department of Education, it is simply the student's word against the provider's. How can the Department "prove" who is telling the truth? Hence, the Department's warnings that providers are held liable for unethical marketing practices is a toothless tiger and leaves the Department open to litigation. Should the Department take action against a provider for unethical practices, the Department effectively cannot "prove" such practices took place, as it is simply the student's word against the provider's. Anytime a government department is taken to court, it is yet another drain on taxpayer funds.

We need to:

1. End this "toothless tiger" approach in tackling unethical VFH marketing practices and
2. reduce the likelihood of provider litigation against government departments for cases which the Department is very likely to lose for lack of evidence.

## **SOLUTION**

**Ban** any form of door to door sales for VFH recruitment and only allow practices over which the provider has total control and which require the student to approach the school.

**Ban** all use of student incentives used extensively by VFH door-to-door sales staff; this includes banning the advertising of laptops that providers, to avoid issues with the Department, market under the guise of ‘essential’ study tools rather than incentives. No essential study tools such as laptops are to be given to students to keep. If deemed essential study tools, they must remain school property.

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## **ISSUE 4**

### **DISHONEST GRADUATION STATISTICS**

To make themselves appear that they are achieving results, providers will forge graduation statistics. In reality the students have not graduated but the Department of Education does not have the resources to contact each and every student to determine whether the student has genuinely graduated.

Dishonest graduation statistics are a problem for the whole VET sector and not specific to VFH. The recent ABC stories regarding dishonest training providers are but the tip of the iceberg.

VFH providers have the additional pressure to increase graduation rates because funding comes directly from government. To justify to the government that they are making a valuable contribution as a VFH provider, the provider may “fudge” statistics to make it appear that more students

are graduating than actually are. How can the government “prove” that the graduation statistics are false? It does not have, nor ever will have, the resources to investigate the authenticity of each and every student graduating under VFH.

## **SOLUTION**

Mandate that all VET sector students sit government-run **external exams** before being issued graduation certificates. This will also ensure graduate quality.

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## **ISSUE 5**

### **CENSUS DATE RORTS**

Providers easily exploit census dates. To ensure that they have “evidence” of processes in place that ensure students are not exploited, providers require students to submit at least one assessment prior to the census. This demonstrates that the student is ‘participating’, should an auditor require such evidence.

#### **Marketing staff write student’s first assessment**

However, to ensure they have “evidence of participation” prior to census date, providers request their door to door sales team to sit with individual new students and complete the first unit’s first assessment immediately all the student’s VFH enrolment paperwork is complete, usually within a week of first contact being made with student.

The process is:

The door to door salesperson visits the student at home, guides the students through the assessment and sometimes even writes and submits the assessment on the student's behalf. All this takes place before the official start date of the course!

This practice of sales staff going to students' homes to "help" students to complete their first assessment guarantees that an assessment is submitted, as "evidence of student participation" and the sales staff can receive their commission. After that "initial" assessment, the student does not turn up for any classes but the provider now has "evidence of participation" to justify claiming for money once the student has gone past census date.

This practice exploits vulnerable students. The practice aims to entrap students into crossing census dates. Students are not aware that, in submitting their first assessment, before the class officially commences, immediately "marks" the students as active and all the provider needs to do is simply wait for census date to arrive to claim money from the government. The provider has no interest in whether the student comes to classes or not, and, indeed, in many cases, prefers that the student does not come to classes, as it is more work and expense for the provider, as they need to employ extra staff to teach the student. This practice is highly unethical but is widespread as providers and their door-to-door sales teams compete with other providers to "grab" students before they are enticed to join another provider.

## SOLUTION

- Ban door to door selling
  - Make it illegal for door to door sellers or anyone else to go to new students' homes and sit with them and complete their assessments
  - Ban the submission of assessments prior to course commencement. Students must wait until term (or the course) officially begins before submitting assessments.
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## ISSUE 6

### SINGLE CENSUS DATE RORTS

Universities charge on a term-by-term basis, that is, if you withdraw from a course mid-term, you pay only for that term's units; you are not charged for the whole course. Exploitative VFH providers, on the other hand, to maximise profits, charge on a whole-course basis. They do this by providing only **one** census date enabling the provider to 'entrap' the student into paying for the whole course, regardless of whether the student is able to do this or not.

The VFH system should not allow students to be exploited like this. What happens to students who decide to move interstate for personal reasons, for example, to be with a sick family member or to take up a job opportunity? If they do so, they can no longer withdraw from the course, as census date has passed. This leaves many students with huge

debts for services they never utilised. It is unacceptable to simply say it is the student's bad luck.

We need to protect students from such exploitation and reduce their vulnerability to incurring huge debts simply because the students' circumstances have changed making it impossible for them to complete the entire course.

Further, we need to protect the Australian tax payer from exploitation by unscrupulous providers making huge profits by having only one census date. How many of those students who have crossed census but never complete their course ever reach the repayment threshold level? Each of these students has their debt simply subsidised by the Australian tax payer. In the meantime, private provider owners walk away with millions. This is wrong and needs to be changed. Australia is in debt. We need our tax payers' money for urgent community projects. We should not be giving tax money away to private individuals as profit for services never rendered which is what happens when a student is unable to complete their course and yet the tax payer must pay the provider for the course because the student is too poor to repay the loan.

## **SOLUTION**

- **Disallow single census dates for courses.** Census dates should be unit by unit, so students can withdraw at various points during the course. This will minimise debts incurred and Australia's taxes can be spent on more valuable projects rather than 'lining' providers'



pockets with money for services which they fundamentally never delivered.

- **Put limits on provider profits** that can be made per student. Caps needs to be placed on how much a provider can charge a student, just as happens in state-funded education which put caps on course duration and how much can be paid for each delivery hour.
- **Mandate that all school profits be channelled back into improving school services.** This will ensure that only those providers genuinely interested in education exist in the community. It will help rid the Australian community of those providers who are in education primarily for the money by exploiting vulnerable individuals and weaknesses in government funding models.

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## ISSUE 7

### Exorbitant fees

To maximise profits, providers charge VFH students significantly higher fees than what they charge international students. This is because the VFH income stream is “guaranteed” by the government. With international students, however, providers must compete very aggressively with other providers and hence drastically lower fees for international students. It is a fact that some providers charge VFH students \$10K for a diploma of business course whilst offering the exact same course to international students for only \$3K! In other words, the provider has raised fees by \$7K for local students.

This practice is unethical and needs to end, as it unfairly targets local students.

The opportunities to exploit local students stem directly from the current VFH system's shortcomings which include:

- a. The threshold level before repayments begin makes it easy for providers to mislead students into believing that the courses are "free". Therefore, students do not bother to "shop around" for a better deal.
- b. VFH course fees are 'government-guaranteed', so the kind of aggressive competition evident in the international student recruitment sector does not exist in the VFH sector.

## **SOLUTION**

- Put caps on how much can be charged for particular courses. This operates in the HESG arena in which the state government determines funding for each hour of delivery. In addition, the HESG program sets a maximum duration limit for each funded course, so no provider can claim above that regardless of course duration.
- Disallow providers to charge students for the whole course upfront. They can only charge unit-by-unit. Hence, if there are 8 units in a business diploma, there will be 8 census dates. This will ensure that students who lose interest in a course within the first couple of weeks do not incur a debt of thousands of dollars.
- Put limits on the disparities that exist between VFH fees and those charged to international and other full-feeing paying students.

Providers need to show up front how much they charge VFH students and how much they charge international students and, if there are huge discrepancies, then the provider will be non-compliant or lose their VFH funding, if it is found that the provider is charging local students fees which are significantly higher than for international students .