

CHAPTER 1

Background to the inquiry

Reference

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

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

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

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

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

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

Background

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

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

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

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

Entrenched allegations of exploitation and profiteering

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

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

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

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

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

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

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

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

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

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

Broader policy implications – higher education

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

1.19 In particular the Australian Catholic University warned about:

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

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

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

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

The conduct of this inquiry

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

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

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

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

Acknowledgement

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