

Coalition Senators' Minority Report

Introduction

1.1 Government Senators acknowledge the vital role of the VET sector in building a skilled and productive workforce for Australia's future and are concerned that the reputation of the majority of VET providers being tarnished by the behaviour of a few, as supported by witnesses during a hearing for this inquiry:

I certainly believe that there are quality issues, but they are at the margins of the industry. If you look at the numbers, the majority are delivering a quality product and are doing the right thing. But that is not to say that there have been no problems.¹

It is unfortunate that a few bad apples that make the front page or lead story taint the rest of the VET sector.²

1.2 During this inquiry the Committee has heard some very disturbing stories about the unscrupulous behavior of some training providers, using high pressure sales tactics to prey on the vulnerable in society, leaving students with a lifetime of unwanted debt that may never be repaid and taxpayers with increasing liabilities. For example:

We have seen a deliberate targeting of acutely vulnerable people, particularly those living in high-density public housing in the Redfern-Waterloo area of inner Sydney. Also, we have seen marketing agents approaching people directly outside Centrelink offices in Redfern. The marketing agents have promoted the courses as free or government funded, which is misleading, and they have offered laptops and iPads as inducements for people to sign up to VET FEE-HELP loans.³

We are deeply concerned about aggressive marketing tactics that target consumers who do not have the aptitude or ability to complete VET courses....We have received reports of education brokers in particular cold calling or door-knocking potential students and pushing them to enrol in unsuitable courses over the phone or on their doorstep.⁴

1.3 There were more than 30 complaints to the Department of Education about VET FEE HELP between 2011 and 2013. Labor was told about the problems from the start, but took no action.

1 Mr Rodney Camm, Chief Executive Officer, Australian Council for Private Education and Training, Committee Proof Hansard, 16 July 2015, p. 11.

2 Mr Stephen Bolton, Senior Advisor, Australian Chamber of Commerce and Industry, *Proof Committee Hansard*, 16 July 2015, p.46.

3 Mr William Dwyer, Redfern Legal Centre, *Committee Proof Hansard*, 16 July 2015, p. 19.

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

1.4 Other complaints have emerged from the public, including where a student who wanted to change providers so they did not have to do the course online, discovered that they had already been charged the full debt load up front. A second student enrolled themselves in an online course, but wound up with no online access and a \$20k debt. Another student was told the course was “free” but wound up with thousands of dollars in debt.

1.5 Government Senators condemn this unconscionable behavior which has served to damage the reputation of the VET industry and negatively affected public perceptions of the quality of training that is provided by the majority of providers in the vocational education sector.

Government Response

1.6 In response to these serious concerns the Government has acted swiftly as it recognises the vital importance of maintaining public confidence in the VET system to protect vulnerable students from the actions of unscrupulous operators and to prevent taxpayers being burdened from cost blow outs.

1.7 The Government’s reforms address all of these issues to protect students, taxpayers and the reputation of the sector

1.8 Earlier this year, the Government introduced its VET reforms by banning the use of inducements (eg free iPads/laptops) and banning marketers from misleading students and signing them up to the VET FEE-HELP loan scheme after purporting that courses are “free” or “government-funded”.

1.9 The Government has already: introduced tough new standards for registered training organisations; committed more funding to the Australian Skills Quality Authority (ASQA) to implement the new standards; and introduced new laws which enable regulators to act more swiftly when addressing quality concerns.⁵

Labor’s Failures in the VET sector

1.10 Government Senators are concerned that the Committee Report fails to acknowledge Labor’s poor design of the VET FEE-HELP programme, first introduced in 2008 then expanded in 2012, and hold Labor to account:

5 Department of Education and Training, VET FEE-HELP Reform Factsheet, 3 July 2015, http://studyassist.gov.au/sites/StudyAssist/HELPpayingMyFees/VET-FEE-HELP/Documents/VET%20FEE%20HELP%20Reforms%20Factsheet%20Update_05_ACC.pdf, accessed 15 October 2015.

Many of these quality issues were due to the policy implementation of the new funding models being a step ahead of the regulatory improvements that we now see coming into play.⁶

1.11 Labor, working with The Greens, has sought to politicise this inquiry instead of working together with the Government to implement the necessary legislative changes and fails to adequately acknowledge the practical steps the Coalition has taken to reform the VET FEE-HELP programme since coming into office.

1.12 All of the Government's reforms to VET FEE-HELP have been necessary because the previous Labor Government failed to put in place appropriate compliance arrangements that stopped providers or brokers from using exploitative practices to take advantage of vulnerable students and burden the taxpayer.

1.13 Access to VET FEE-HELP was expanded in 2012 but the Government of the day failed to put in place a dedicated compliance strategy, as reported in *The Australian*:

That (expansion) precipitated unprecedented examples of unethical student recruitment practices and astronomical fees as dodgy operators jumped into a new and easy government-supplied pool of money.⁷

1.14 It has been concerning that Labor has yet to commit to supporting the Government's reforms and amendments. Their inaction in the VET sector has most likely cost students, employers, and taxpayers hundreds of millions of dollars for skills training that failed to deliver real outcomes. Senator Carr recognised this when he commented in the *Canberra Times* that:

Labor introduced VET FEE HELP with good intentions but the scheme contains 'fundamental weaknesses' that need to be fixed. The scheme has allowed too many for-profit companies to access government subsidies and regulators were not given enough power to crack down on rogue operators.⁸

1.15 The Committee Report describes the "good intentions" behind the introduction VET FEE-HELP but fails to analyse the flaws of the policy which allowed this unsustainable situation to develop:

6 Mr Stephen Bolton, Senior Advisor, Australian Chamber of Commerce and Industry, *Proof Committee Hansard*, 16 July 2015, p.47.

7 'ASQA no toothless tiger', *The Australian*, 17 June 2015, <http://www.theaustralian.com.au/higher-education/asqa-no-toothless-tiger-says-chris-robinson/story-e6frgcjx-1227401073349>, accessed 15 October 2015.

8 'Kim Carr says Labor's vocational loan scheme 'fundamentally flawed'', *The Canberra Times*, 18 September 2015, <http://www.canberratimes.com.au/federal-politics/political-news/kim-carr-labor-says-its-vocational-loan-scheme-fundamentally-flawed-20150917-gjpf6o.html>, accessed 15 October 2015.

The intention behind VET FEE-HELP was to make available for students options which otherwise they might not have, particularly for financial reasons.⁹

1.16 Coalition Senators agree that while these were worthy aspirations, without the right regulations in place to protect students and taxpayers from rogue operators, these “good intentions” have not resulted in the desired outcome due to poor programme delivery and design.

1.17 It is also disappointing to note that Senator Carr was reported as saying that he believes it is now the Government’s responsibility to restore confidence in the VET FEE-HELP scheme which was introduced by a previous Labor government.¹⁰

Coalition Government Reforms to strengthen VET and VET FEE-HELP

1.18 The Government has acted to enhance the operation of the VET sector and VET FEE-HELP and will not tolerate further abuses of the system. In announcing the reforms to VET FEE-HELP the then Assistant Minister for Education and Training, Senator Birmingham said:

We will be monitoring the effectiveness of these measures closely and reviewing the program again within two years. Training providers should consider themselves to have been placed on notice that further abuse of the program will result in even harsher measures.¹¹

1.19 The Government has acted to improve the quality of training in the VET sector by:

- Introducing tough new standards for all registered training organisations from April 2015;
- Committing a further \$68 million to the national regulator the Australian Skills Quality Authority (ASQA) to maintain our strong reputation both at home and overseas, for delivering high-quality training;
- Introducing with the states and territories the National Training Complaints Hotline (13 38 73) to make it easier for complaints to be heard and actioned; and
- Supporting the Australian Competition and Consumer Commission’s (ACCC) investigation into VET FEE-HELP complaints.

9 Committee Report, p. 11.

10 'Kim Carr says Labor's vocational loan scheme 'fundamentally flawed'', *The Canberra Times*, 18 September 2015, <http://www.canberratimes.com.au/federal-politics/political-news/kim-carr-labor-says-its-vocational-loan-scheme-fundamentally-flawed-20150917-gjpf6o.html>, accessed 15 October 2015.

11 Senator the Hon Simon Birmingham, Media Release, 'Government targets VET FEE-HELP scammers', 12 March 2015, <https://ministers.education.gov.au/birmingham/government-targets-vet-fee-help-scammers>, accessed 15 October 2015.

1.20 In terms of VET FEE-HELP (VFH) a series of measures have been introduced, including:

1. Banning inducements to students under the VFH loan scheme;
2. Tightening VET marketing and recruitment practices;
3. Improving the understanding of how VFH operates and student right and obligations;
4. Strengthening the debt waiver and revocation processes for students under VFH;
5. Strengthening the assessment criteria for, and ongoing scrutiny of, all training providers;
6. Ensuring student debt is incurred in line with course delivery;
7. Establishing minimum pre-requisite and prior education qualifications, including demonstrated literacy and numeracy requirements; and
8. Enhancing training and outcomes information, allowing students to make more informed choices about training providers and courses.

1.21 The Government has acted to swiftly implement these reforms: from 1 April 2015 inducements were banned (eg free laptops/iPads/) and from 1 July 2015 the VET Guidelines were changed with immediate effect to include:

- banning withdrawal fees, which stopped students from cancelling from a course before they incurred a loan;
- making providers responsible for the actions of their agents and disclosing which agents they use; and
- banning marketers from misleading students that VET FEE-HELP made courses “free” or “government-funded”.

1.22 Further changes will come into effect from 1 January 2016 so VET providers will:

- not be allowed to charge a student the total course tuition fees in one up-front hit - this will result in students only incurring a debt as they progress through a course;
- have to issue a student with a VET FEE-HELP Invoice Notice at least 14 days prior to each census date for a VET unit of study - this will ensure students are fully aware of the debts they may incur after the census date; and
- not accept a VET FEE-HELP loan request from a student until a two-day ‘cooling off’ period has elapsed after enrolment. This will help stop the high pressure sales tactics that saw people enrolling in a course and taking out a loan at the same time.
- require a parent’s or guardian’s signature before a student under 18 years can request a VFH loan (with exemption for minors considered independent under the Social Security Act 1991).

1.23 The Government will shortly introduce amendments to legislation to implement these reforms.

1.24 The Bill will also further protect students and taxpayers by:

- Making it easier for a student to have their debt cancelled where they have been signed up for a loan inappropriately (a cost that will be recouped from providers to protect taxpayers);
- Introducing minimum registration and trading history requirements for new VFH provider applicants to ensure those approved have a proven history of delivering quality training;
- Introducing infringement notices attached to civil penalties for breaches of the VFH Guidelines; and
- Technical amendments to strengthen the Department's administration of the scheme and its partnerships with Australian Quality Skills Authority to monitor and enforce compliance.
- Coalition Senators commend the government for its proactive approach and call on Greens and Labor to support it.

Student and Employer Choice in Training

1.25 The Coalition supports all high quality training providers, regardless of whether they are TAFE, community colleges or private providers.

1.26 Despite the recent challenges faced in the VET sector, Coalition Senators are not in favour of reducing student and employer choice in the market and allocating a certain proportion of funds solely to TAFE providers; as supported witnesses:

One of the key components of an industry-led, demand driven VET system is that it is flexible and responsive. Flexibility in training delivery is essential for lowering the overall costs of training to both industry and the individual....More competitive market arrangements encourage providers, including TAFE, to deliver more flexible options. As the VET sector has evolved, the needs of the client cohort have also evolved significantly.¹²

It [student choice] has opened up the VET market to a great many people who previously would not have been able to access training. Previously, VET was almost solely the regime of apprentices and government employees and the realm of the big utilities. It has really opened up the sector to a much broader range of people.¹³

The private providers see niches and they work in smaller regional areas. They should have the opportunity to make it available for students in that particular area. For example, we go to small towns which have populations

12 Mr Stephen Bolton, Senior Advisor, Australian Chamber of Commerce and Industry, *Proof Committee Hansard*, 16 July 2015, p.46.

13 Mr Stephen Bolton, ACCI, *Proof Committee Hansard*, 16 July 2015, p.51.

of 300 or 400. The government cannot necessarily put a TAFE centre there or a university there.¹⁴

1.27 Labor also supported student and employer choice in vocational training when it established the National Partnership Agreement (NPA) on Skills Reform with all states and territories in 2012. The NPA required all state and territory governments to commit to reforms including greater competition and contestability.

1.28 The Shadow Minister for Vocational Education, Sharon Bird MP, has announced Labor's VET election policy is to have a fireside chat with the states and territories to get agreement on a dedicated proportion of funding from the Commonwealth for TAFEs.

1.29 At its recent National Conference, Labor walked away from its own reforms under the 2012 NPA by amending the platform to "rebalance the contestable funding model to ensure that priority funds are allocated to TAFEs..." Funds that are guaranteed to one type of provider are not "contestable".

1.30 As yet, there have been no details released about this policy, such as the proportion of funding allocated to TAFEs. The Australian Education Union has proposed that 70% of Government funding go to TAFE¹⁵ however there are serious concerns about having such a fixed, inflexible approach to funding arrangements, as outlined by the Australian Chamber of Commerce and Industry:

...TAFE does not own quality in the VET sector, and I think it would be very dangerous to curtail the sector by only allowing 30 per cent of it to flow through to the majority of private providers out there.¹⁶

1.31 A concerning example in South Australia, which shows how far a Labour government will go to reduce student choice in the market, is the Weatherill Government announcing a new policy, *WorkReady*, which provides 90% of new subsidised training places only to TAFE.

1.32 This new policy is detrimental to the needs of students who want specialist industry training and ignores the needs of those living in regional areas with the nearest TAFE hundreds of kilometres away. This policy has already resulted in 176

14 Mr Amjad Khanche, Chief Executive, Australian Institute of Professional Education, *Proof Committee Hansard*, 16 July 2015, p. 5.

15 Australian Education Union, *Submission 62* and Australian Education Union Victoria, Media Release, 'Statewide EBA first step in rebuilding TAFE', 11 August 2015, <http://www.aeuvic.asn.au/77860.html>, accessed 15 October 2015.

16 Mr Stephen Bolton, ACCI, *Proof Committee Hansard*, 16 July 2015, p.53.

job losses, with a possible 147 further losses in the next six months, and an unknown problem into the future as a result of skills shortages.¹⁷

Conclusion

1.33 Coalition Senators urge Labor and The Greens to support the Government reforms to the VET sector which have been strongly supported by stakeholders and address many of the concerns raised in evidence and recommended by the Committee. As noted by Study Group Australia:

SGA is of the opinion that, similar to what happened in the international education space, appropriate strong regulation, coupled with robust codes of practice and ethical conduct requirements will ensure the sector moves forward after a rather rocky start.¹⁸

The Australian education system, including VET, is a world recognised brand well known for its quality and desirability of a qualification delivered at an Australian standard. Indeed many nations aspire to having a vocation education and training system like ours.¹⁹

1.34 Government Senators do not support the recommendation for a further review (Recommendation 1, Chapter 2) as a number of reviews, including this one, have already been held or are pending, for example:

- The Government appointed a VET Reform Working Group, made up of representatives of students, consumer advocates, employers and providers, to help inform implementation of the reforms. In addition, specific consultations were held by the Department.
- The Auditor-General has requested that a performance audit of VET FEE-HELP be included in the Australian National Audit Office's (ANAO) 2015-2016 work program, as requested by Labor.²⁰
- The Government has also appointed a VET Training and Assessment Working Group to consider options to strengthen the quality of training and assessment outcomes so as to maintain student and employer confidence in VET qualifications.
- The Government has announced it will review VET FEE-HELP in 2016-17.

17 'Jobs go as trainers shut doors', Adelaide Advertiser, 31 August 2015, <http://www.adelaidenow.com.au/news/south-australia/workready-hundreds-of-private-training-jobs-at-risk-in-reform/story-fni6uo1m-1227505071406>, accessed 15 October 2015.

18 Study Group Australia, *Submission 21*, p. 6.

19 Mr Stephen Bolton, ACCI, *Proof Committee Hansard*, 16 July 2015, p.46.

20 Sharon Bird MP, Media Release, 'Labor welcomes Auditor-General's response to request for VET FEE-HELP investigation', 8 January 2015, http://www.sharonbird.com.au/labor_welcomes_auditor_general_s_reponse_to_request_for_vet_fee_help_investigation, accessed 15 October 2015.

1.35 While there is more work to be done, the prompt response of the Government so far to the issues raised during this Inquiry is addressing the behaviour of unscrupulous VET FEE-HELP providers, protecting vulnerable students from bearing the cost of a lifetime of debt and aims to restore the integrity of Australia's VET sector.

Senator McKenzie

Deputy Chair