

**SUBMISSION TO THE VRQA
PROPOSED MINISTERIAL ORDER - VRQA FEES
COMMENTARY ON THE REGULATORY IMPACT STATEMENT
October 2012**

Executive Summary

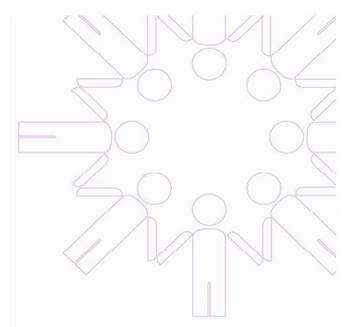
The Regulatory Impact Statement (RIS) outlines the issues, and forms an assessment of the proposed Ministerial Order as it relates to prescribing the fees payable to the VRQA over the 4 years from 2013-2016. The recommendations will effect business planning for all providers of VET in the state of Victoria, including our members. The paper is comprehensive in detailing 4 options for estimating the regulatory costs. Rather than evaluating the approach considered by the consultants for each option, CCA has concentrated on commenting on the issues which we believe will have considerable impact on our specific sector as a result of the option chosen.

Community based providers make up over 25% of the RTOs currently regulated by the VRQA. For organisations that choose, after considering all possibilities, to remain with the VRQA, we are very concerned that they will no longer be competing in delivering VET on 'a level playing field'. Other RTOs whose quality and compliance is managed by the national regulator will have potentially lower student costs based on the current fees structure and therefore be able to offer lower prices for their courses. And, Learn Local providers will face resistance from their community and equity groups if they attempt to increase their course fees to recoup their additional cost burden.

We note that whilst the consultants have recommended that the VRQA use similar fee groups as the national regulator, they then argue for the individual classes of fees to be charged at significantly higher levels. CCA is somewhat perplexed by the fact that the consultants do not seem to have considered the possibility that by implementing a full cost recovery method, there is a high probability that anyone who can, will move to the national regulator. Over time, this effectively may cause the system to become more expensive and eventually there will so few RTOs left to be managed by the state regulator that by maintaining an insistence on full recovery at all costs, it will create a ridiculous fee structure.

We understand that due to the national regulator being introduced there are now 50% fewer RTOs for the VRQA to regulate than prior to the 1st July 2011. If full cost recovery is based purely on ensuring that the total number of RTOs must cover the regulatory authority annual budget, it will eventually lead to a few RTOs having to contribute to the total VRQA sustainability. The fewer the RTOs the VRQA has to regulate the higher the cost per individual entity - ultimately this can only be a business model set to fail.





CCA understands this is the first time that such a review has been required for calculating the VRQA fees. We note that despite the short timeframe to decide upon fees for 2013, that it should not be too late to consider alternatives. Perhaps an annual registration fee which may be prorated based on size - either by student numbers and/or \$ turnover? In addition to considering alternative fee structures, CCA would caution against any rationale being applied that by leaving the most significant increases until late in the 4-year cycle; providers will not consider the alternatives. RTOs, even those who are community-based, are organisations which must contemplate their own financial viability and that by necessity will have their business planning in place to evaluate policy changes beyond 2013.

We look forward to the consideration of our submission. Ultimately CCA considers that the key stakeholders to be remembered in evaluating this RIS are not just the Victorian learners but also critically the Government and the state's industries and businesses.

Introduction

CCA together with ACE Victoria and ANHLC (Association of Neighbourhood Houses and Learning Centres) form the Peak Body for Learn Local providers in Victoria. The release of the Regulatory Impact Statement (RIS) in late September was discussed at our monthly meeting in early October. It was agreed at that time, that the Peak Body should seek a meeting with VRQA to express our collective views on the document.

This meeting took place on the 22nd October and we thank Mr Don Hudgson for his time and feedback. ANHLC and ACE Victoria have previously submitted their responses to the RIS; this CCA submission essentially concurs with their findings and adds commentary on a specific issue pertaining to VCAL and VCE providers as discussed at the 22nd October meeting and which CCA anticipates has the general agreement of the other peak organisations.

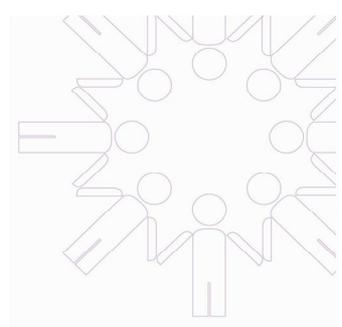
Cost Recovery vs. Equity

CCA acknowledges that the consultants in preparing the recommendation of fees for the VRQA from 2013 have been required to take into account the Department of Treasury and Finance's Cost Recovery Guidelines. These guidelines recommend that full cost recovery from the regulatory parties is imposed on a state regulatory body in order that the state taxpayers do not incur the burden.

However, within the guidelines there is also a component which allows also for an equitable approach where appropriate. It would appear in the context of setting the fees for the VRQA that the issue of equity has been somewhat overlooked. In the context of both the education industry and wider social benefit CCA would argue that full cost recovery for the VRQA is not appropriate.

In terms of the benefits to the state and taxpayers, we would argue strongly that the provision of education to all Victorians regardless of their geographic location or socio-economic status is critical for the wellbeing of the State. This includes up-skilling for work opportunities which brings significant benefits not only to the government through a better trained workforce but also to the business community who gain workers more capable of performing job tasks as required by their employer.





However, with an increase of over 600% to a Learn Local provider's annual registration fee by 2016 it is probable that many not-for-profit RTOs will not remain financially sustainable. It should be noted that ACFE some years ago evaluated the net equity of Learn Local providers and the results indicated that very few organisations had annual surpluses of >5% on income. So an impost at the level recommended is quite likely to make a difference between an annual surplus and deficit and within a short timeframe lead to an organisation with a negative equity balance sheet.

The potential loss of local community providers offers no equity for the students who prefer to learn at such organisations; especially those who suffer the greatest disadvantage. These students should be potential taxpayers of the state in the future and yet they may be restricted from earning capability and business opportunity if there are few training choices available to them.

CCA notes that the State Government has a strong belief in consumer protection and this is one of the reasons why the state chose not to lose its own VET regulator. We are not sure what consumer protection is being offered in the future for the residents of Victoria if the VRQA fees were to lead to more RTOs either closing or finding an opportunity (especially with the increase in on-line learning) to transfer to the national regulator. It would appear that the State's commitment to ensuring consumer protection through maintaining the VRQA as the regulator for state-wide RTOs may be undermined by the new fees recommended.

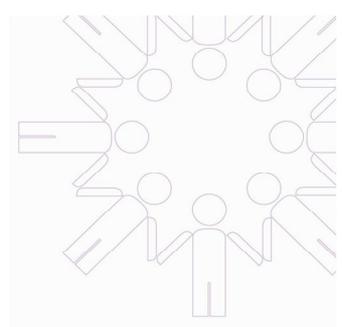
The National Regulator

The consultants have expressed an opinion in regard to the ability (or not) of ACFE registered organisations "switching" jurisdictions. We do not consider it correct to assume that Learn Local entities will remain with the state regulator regardless of the fee structure. As a peak body we are mandated by our members to investigate all new policy initiatives and where there are financial implications, to evaluate return on investment and value for money. If CCA believes after taking all scenarios into consideration that a college may be better off by taking an opportunity to participate in a different policy regime then we will make this recommendation to our members.

As previously stated, the availability of blended learning - that is where a student is offered a combination of face-to-face time together with online facilitation - is becoming a more widely used training offering in the Learn Local sector. Indeed, CCA currently has a number of members participating in NBN technology projects. Within the timeframe of these fee recommendations, we do anticipate that many Learn Local organisations including those geographically removed from large metropolitan centres will have the technology available to offer blended learning.

The consultants acknowledge the possibility of potential forum shopping. Mobility will not, however, be limited to private RTOs. As indicated above, ACFE providers may extend their community of learners to reach beyond the state borders. This means that they will be capable of having students enrolled who live outside the state and will automatically be required to move to the national regulator.





Potential Disconnect between Government Policies

CCA appreciates that the consultants would not have been privy to a range of government policies currently being drafted. We therefore are requesting in the evaluation of the RIS that consideration is given to managing potential conflicts between a range of government policies.

In the one instance that CCA has had time to briefly consider, we note that it is our understanding that the ACFE Draft 10 Year Strategic Plan is recommending a proposed re-structure for its delivery model. Recognising the increasing compliance and administration burden on very small Learn Local providers, consideration is being given to a form of “hub and spoke” delivery model where a larger entity holds RTO status and is able to deliver accredited training into a group of smaller providers.

This potential form of delivery has strong resonance for the work that some Learn Local providers are already undertaking in regard to senior secondary courses including VCAL and VCE. It is possible that many more disengaged youth, as well as second-chance mature learners will benefit from such a model in the future. This will be due to greater reach of the programs that Learn Local organisations have successfully developed over the years of working with these client groups.

Unfortunately, this concept proposal would become financially burdensome for the RTO at the ‘hub’ of the new model, should the proposed new fee under Schedule 1 of the RIS be agreed. That is, a \$425 cost for each and every accredited senior secondary course delivered at an additional site will create a non-viable cost restricting the opportunities for education re-engagement for some of the most vulnerable learners in the state.

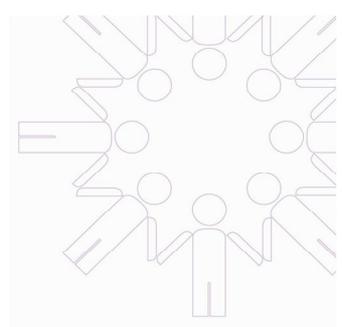
In addition to this specific example above CCA notes that the ACFE Draft 10-Year Strategic Plan calls for one of its key objectives to be the financial viability of the sector. The proposed fees for the sector, even after allowing for a 50% discount as recommended by the RIS consultants, will not assist in the successful outcome of this objective. Whilst not being able to identify specific numbers or percentages of community providers who may choose to either change regulatory authority (through increasing their learning reach beyond the state borders) or cease to trade as an RTO because the financial viability cannot be sustained in accredited training, CCA anticipates that over the 4 years that this RIS is mandated to, there will be a reduction in ACFE RTOs from the 141 currently listed at Table ES1.1.

CCA notes at this point that we cannot be sure if there may not be other examples of where the RIS is in contradiction to existing or proposed DEECD or other government agency policies.

ACFE Providers who are both RTOs and Senior Secondary Providers

At page 2 of the RIS report, Table ES1.1 provides the number of entities per sub-group. CCA notes that of the 55 non school, senior secondary education providers there are a number of learn local entities contained within the total. Effectively this means that there are ACFE entities which are currently subject to 2 sets of regulatory and compliance procedures with the VRQA. Whilst appreciating that the registration and compliance for secondary school providers has some differences to RTO registration and compliance, with the proposed fee increases we would like to recommend that where the same legal entity has responsibility for





both forms of education delivery, it could be appropriate to identify if there are any grounds for combined visits/investigations that may assist in reducing the compliance costs.

Learn Local providers offer a very important alternative to youth who have disengaged from learning in the traditional school system. Whilst not a high proportion of the secondary school population, CCA members have noted that this group of learners is increasing year on year. There is an unfair fee burden now proposed to be placed on Learn Local providers in comparison to the school sector where there is no site audit fee listed at Schedule 1.

We are concerned that exactly what the consultants refer to on page 8 of their Executive Summary may come to pass for Learn Local providers who deliver at both RTO accredited level and senior secondary course level. That is *"...any substantial increase in fees may potentially jeopardise the ongoing provision of some qualifications and courses, depending on the cost structures of service providers."*

Background to Community Colleges Australia

Community Colleges Australia (CCA) is the national peak body representing not-for-profit community owned providers of adult and youth education, training and learning in a local environment.

Membership comprises long established learning organisations located in metropolitan, regional and rural locations. The colleges offer socially inclusive and progressive learning environments with a focus on student welfare and a commitment to employment outcomes and personal development of individuals. Colleges work with students and industry to develop flexible education options to ensure appropriate vocational pathways and learning actions.

CCA is committed to assisting members grow their business and thereby to enhance the learning opportunities for all Australians through all stages of their adult lives. CCA promotes 'real education for today's Australians' by delivery that engages and belongs to local communities. Our vision is for Australia to achieve more dynamic and vibrant communities, informed and empowered through learning.

List of CCA Members providing VET in Victoria

Albury Wodonga Community College	MADEC Community College
Bacchus Marsh Community College	Sandy Beach Centre
Campaspe College of Adult Education-Echuca	Southern Grampians Adult Education
CE Bendigo	The Centre
Community College Gippsland	Upper Yarra Community House
Corryong Community Education Centre	Warrnambool Community College
Djerriwarrh Employment & Education Service	WCIG
Finding Futures	Wyndham Community & Education Centre
Jesuit Community College	Otway Community College (in voluntary administration but operating via licence provided to St Laurence)
Kyabram Community & Learning Centre	

