

SUBMISSION TO THE AUSTRALIAN GOVERNMENT DEPARTMENT OF EDUCATION AND TRAINING ON THE REDESIGN OF VET FEE-HELP June 2016

About Community Colleges Australia

Community Colleges Australia (CCA) is the peak national body that represents and provides services to community-owned, not-for-profit education and training providers.

Our vision is for Australia to achieve more dynamic and vibrant communities, informed and empowered through learning. CCA is committed to assisting our members sustain and grow their businesses, thereby enhancing education opportunities through choice for all Australians. CCA promotes learning innovation for all Australians by delivery that engages with and belongs to communities, with particular focus on vulnerable and disadvantaged learners. Our members are long-established community learning organisations located in metropolitan, regional and rural locations. Our members are well-placed to focus on student welfare with commitment to the employment outcomes for, and personal development of, individuals.

CCA works to increase awareness of the community education sector and its place in the economic and social fabric of our nation, build business opportunities for our members and advocate at all levels of government on the value of our members' undertakings. The majority of our members are Registered Training Organisations (RTOs) for vocational education and training (VET). They frequently work in collaboration with each other on a local and regional basis, as well as with government (TAFE) and private (for-profit) providers when that provides value for their communities.

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Introduction

This submission by CCA comments on the Australian Government's *Redesigning VET FEE-HELP: Discussion Paper*, which was issued on 27 April 2016, with comments requested by 30 June 2016.

CCA warmly welcomes the Australian Government Department of Education and Training's initiative in this paper, and strongly approves of the overall focus of the paper, as well as the large majority of recommendations and findings. The points in this submission largely relate to requests for clarification and other comments on specific findings. Where we have not commented, it can be taken to mean we essentially share the same view as the Department.

CCA notes that relatively few of our members (and the community education sector broadly) utilise VET FEE-HELP, in large part because VET FEE-HELP relates to higher level VET qualifications that community providers tend not to deliver. CCA also notes, with great dismay, that large numbers of vulnerable and disadvantaged Australians have been subjected to improper enrolment and signing up for VET FEE-HELP loans, in a major series of publicly-aired abuses. Almost all of these abuses have been committed by unscrupulous private for-profit providers and none by community education providers.

The continuing uncovering of these scandals undermines claims that it is only "a few bad apples" within the private for-profit VET sector that are doing the wrong thing. This week alone (of 6 June 2016), *The Sydney Morning Herald* carried two articles on a court case against Unique College, being prosecuted by the Australian Competition and Consumer Commission (ACCC).¹ This news follows on from recent action taken by the ACCC against Careers Australia, another private, for-profit provider.²

CCA notes that these VET FEE-HELP abuses have significantly undermined the reputation of Australian vocational education and training, both domestically and internationally. CCA also notes that a large percentage of the private for-profit VET providers utilise names that do not distinguish them as for-profit providers that deliver dividends to their owners – unlike the community education and government VET sectors. Frequently, these for-profit providers go to great lengths to hide their ownership structures, as a means of establishing their credibility with potential students. A good example of this is the now-defunct Australian

¹ See <http://www.smh.com.au/national/education/unique-international-college-teacher-never-heard-from-her-80-students-court-told-20160608-gpejsh.html> - published on 8 June 2016; and <http://www.smh.com.au/national/education/unique-international-college-i-just-wanted-a-free-laptop-court-told-20160609-gpfizg.html> - published on 9 June 2016.

² See <http://www.accc.gov.au/media-release/careers-australia-undertakes-to-repay-commonwealth-for-vet-fee-help-diploma-courses> - dated 16 May 2016.

Indigenous College, which – despite its name – was not Indigenous-owned (it was owned by the corporation Global Intellectual Holdings).³

As a result, CCA recommends that all future recipients of VET FEE-HELP funding from the Australian Government – and indeed, any RTOs that are regulated by the Australian Skills Quality Authority (ASQA) – be required to undertake strict standards of transparency and identification of their ownership structures.

Comment – Course and Skill Prioritisation (Page 19)

The Government has suggested that stakeholders ‘have queried the suitability of allowing students to access public funding to undertake training in courses that lead to a largely personal and private benefit rather than courses that contribute to the broader Australian economy in areas of growth and skill shortages’.

We note that one of our members - WEA Hunter - runs two course that are not on ‘the skills list’, which the Department seems to be using as a benchmark for what is a growth area. Note the following comments on these two courses:

Advanced Diplomas in Complementary Health (including the Western Herbal Medicine Advanced Diploma mentioned in the paper)

IBISWorld reports annual growth in Complementary and Alternative Medicine (CAM) to be 3.9% per annum from 2011-2016. A substantial two-thirds of Australians use complementary medicines.

As reported by *The Sydney Morning Herald* (<http://www.smh.com.au/national/tertiary-education/job-prospects-look-decidedly-healthy-20131014-2vikd.html>), the federal employment initiative ‘Job Outlook’ reported that employment prospects in CAM are tipped to grow ‘very strongly’ in the period to 2017. In addition the vast majority of graduates in CAM go on to open their own practice rather than seek employment with another. Not only does this contribute to the economy well, but is also a feeder of new small businesses, something that the government has promoted as a critical to Australia’s innovation future.

Given that, it is disappointing to see the Department painting CAM with the ‘largely personal and private benefit’ brush – it shows a clear ignorance to the reality of CAM as a huge growth area in Australia and globally.

Creative Arts are absent from the Skills List

³ See <http://www.smh.com.au/business/thousands-of-students-caught-up-in-major-college-collapse-20160210-gmqt8x.html> and <http://www.sbs.com.au/nitv/nitv-news/article/2016/02/18/australian-indigenous-college-placed-voluntary-administration>.

Careers in Creative Arts are almost ALWAYS absent from any Skills List in Australia. The frustration with this is consistently felt throughout the Australian arts community. The reality is the opposite – artists are in extremely high demand in Australia; what they lack are outstanding institutions of excellence to hone their skills. This has contributed to the worrying growth of ‘importing talent’ that has been seen in the performing arts community. The point is that Australia must support the education of artists to meet the employment need that does exist, or artists will continue to be imported from outside the country.

Industry revenue was forecast to increase at a compound annual rate of 3.1% to \$1.2 billion over the five years after IBISWorld’s report “Music and Theatre productions in Australia: Market Research Report”.

The Government’s report “Creative Industries, a Strategy for 21st Century Australia” cites in the Foreword by the former Minister for the Arts that “...a competitive creative industries sector is **vital** to Australia’s prosperity – that a creative nation is a productive nation”. It cites that creative industries comprises a phenomenal 4.8 percent of total employment in Australia and made a much larger contribution to GDP than agriculture, forestry and fishing, electricity, gas, water and waste services, and accommodation and food services. The report also reminds us that Australia is party to the UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions – isn’t a convention signed by 100 nations also a responsibility of the Government, alongside a skills list?

The point is that the Government should not **only** rely on ‘Skills Lists’ to inform their decision-making. Just because a qualification doesn’t appear on a Skills List, whose methodology of compilation is largely unknown and largely reflects needs in ‘traditional’ industries that Australia has arguably relied too heavily on, does not mean it doesn’t significantly contribute to the Australian economy. Even if it does not, education funding must be applied to industries that have potential to **innovate** in order to lead Australia into a strong economic future – one would think the work ‘creative’ is synonymous with innovation?

Responses to Particular Discussion Questions

Page 36, no. 2 Can the administrative complexities involved in taking a Language, Literacy and Numeracy (LLN) Assessment be reduced while ensuring this standard regarding student preparedness remains?

Yes. Firstly, a LLN test should be *contextualised* to the program. In other words, you should be testing a student’s LLN levels by asking questions that are in the context of the program they are entering. The problem with endorsing the ‘ACER’ tool as the Government has done is that it is without context, so while it might measure a person’s abilities to do something, it does not measure an ability to study the course (which should be the point).

LLN tools should be developed by the institutions themselves (the RTOs) and can be scrutinised by ASQA or the Department at audit if required.

Page 37, no. 1 Should a separate and lower lifetime loan limit apply just to VET FEE-HELP?

We do not believe so. This is a band-aid solution to a problem and will probably not solve anything. CCA prefers to endorse the comment that 'more appropriate options are available such as introducing a course progression or engagement component and addressing unethical course price structures'. The reality is, that if a provider is providing \$10,000 of **value** to the student and the taxpayer, it is reasonable to charge that. What the Government needs to do is ensure that costings are a fair reflection of the cost of running a course. They do that through scrutiny of course price structures at the provider level. If the provider is tacking on massive profits that are going to their shareholders, clearly they have overpriced the qualification. However if a course cost is high and is genuinely because the cost of running the course is high, with a fair amount assigned to cover operating costs of the organisation – how is this not fair?

Placing a lower loan limit on the problem is skipping the responsibility of regulating the providers and does not solve the problem. Providers will simply use this as an excuse to charge up to the loan limit and take it as permission to do so.

Page 38, no. 1 Should the Commonwealth target its investment in VET FEE-HELP to courses that align with industry needs, lead to employment outcomes, result in a public good or provide pathways to higher education?

Ideally yes, however that does not appear to be what the paper is proposing. All that has been discussed at this point is 'Skills Lists'. The question is – how are these lists compiled? CCA cannot see that courses that 'result in a public good' such as arts or new industries, such as CAM, are included. As long as what 'results in a public good and provides pathways to higher education' is rigorously discussed, defined and researched, then this is obviously the best solution. However if this is a way to ensure that only 'traditional' vocational areas are included, then we object to it.

Page 38, no. 2 What are the implications of the Commonwealth setting national prices or loan values for qualifications despite significant diversity in the cost of training across different geographic locations, student populations and mode of delivery?

This simply cannot be done. The perfect example is NSW Smart and Skilled, where prices are set. The reality is that many providers are able to provide excellent training for *less* than the cost of the subsidy, which means taxpayer money is being wasted. Conversely, some providers are attempting to target regional and remote areas, where resources are low (which means cost to purchase are massive) and need to charge *higher* than the subsidy to do that. The other issue is 'thin markets' where there are not masses of students enrolling,

so there are no 'economies of scale' – the courses still have value, still need to be delivered, but the costs are higher because student numbers are lower.

The Government needs to allow providers to set prices, **but have them justify the price and regulate that**. This could be through submission of a costing proposal in the Government's template, or acquittal of how the funds were spent, or having to defend costs at audit etc. Setting national prices is a huge mistake that will kill innovation, waste money and affect regional and remote areas massively. Courses will only be run in locations (such as cities) and in study areas where 'economies of scale' exist.

Page 41, no. 2 Should VET FEE-HELP providers have an obligation to provide information in a consistent form about the scheme to students?

Absolutely yes. In fact this is an area the Department has been very good at until recently. The "VET Administrative Information for Providers" has long set out the requirements for how information is to be given, right down in some cases to the very wording of it. In addition the Department has published mandatory booklets which set out information in a standardised template. These are excellent and should be expanded and improved to ensure information is consistent.

Page 41, no. 3 Is there a role for an agent, or an intermediary, to assist student to make a choice regarding a course and provider?

No. It is a wholly unnecessary element that is only there to drive up enrolments and profits. Education is a solemn and serious institution that does not require 'spruikers' to succeed. If a provider is offering a course and need 'brokers' to sell it, it is offering an unneeded course. Banning agents and brokers is an excellent step, and would see a marked decrease in opportunistic businesses operating in the arena, simply because they will not be able to manage the national scale of 'selling' themselves if forced to.

Page 44, no. 1 If the Commonwealth were to maintain a cap on provider loan values, how could this ensure the current issues are addressed?

Retaining the cap on providers is a mistake. It absolutely decimates the ability of the provider to be responsive to industry, be able to offer courses in new areas and regions and ultimately punishes providers that are doing a good job. The Government should move away from band-aid solutions and instead focus on the quality of the provider and the educational outcomes to the student as being valuable, and consequentially subject to scrutiny. Simply increasing data reporting times to be able to more closely monitor growth would avoid a repeat of all the issues in the past – intervention with a rapidly growing provider could then happen much earlier.

Page 45, no. 1 Should access to VET FEE-HELP loans include a requirement for students to be engaged in their training and working towards completion?

Yes, of course.

Page 45, no. 2 How could student engagement, progression or completion be measured and tracked?

Potentially through expanding outcome list in data submissions to include 'reasons for withdrawal', and requiring the provider to document that for scrutiny at audit. In addition, development of an 'exit or destination survey' or document to capture where the student 'ended up' as opposed to simply that the student 'left'. This could be designed by the Department to ensure that the appropriate data is captured and the provider would be required to document it to justify cases where the student withdrawal is not necessarily a *bad thing*. Where a justification does not exist, the Department could reasonably assume that there were other reasons involved and this would count against the provider.

Again, simply requiring the provider to keep clear documentation about why things happen, and checking that from time to time, is the best approach for the Department to take.

Page 45, no. 3 Should providers be required to meet minimum specified course completion or progression rates?

This can be done, however it must be coupled with clear documentation and data as specified in response to Question 2 above to ensure that a 'withdrawal' or 'disengagement' is not considered a bad thing in all cases.

Page 45, no. 4 Should higher quality standard be applied to RTOs seeking to provide VET FEE-HELP?

Absolutely. RTOs offering VET FEE-HELP should treat their responsibility and ability to use public funds seriously. Education is a serious institution and it is reasonable for the Government to have high standards of providers they are trusting with the public interests.

Page 45, No. 1 Should all existing providers be required to re-apply for the new VET FEE-HELP scheme?

No: this is too administratively complex for all parties involved. What is reasonable is for all providers to implement the changes and provide clear evidence and proof that they are adhering to them, including justifying course costs, etc. This will be burdensome for RTOs in itself, but is reasonable for the Government to be confident that existing providers should remain as providers.

Page 46, No. 1 Should access to VET FEE-HELP scheme be time limited?

No. There are reasons for this:

- 1) It creates a culture of 'working to the audit'. In other words providers may lapse their standards as long as they can prove all is well 'at the time of re-registration'.
- 2) It generates an industry of consultants who become experts simply in getting providers through 're-registration'.
- 3) It is administratively burdensome.

Providers should be demonstrating quality at all times. It will be much more effective for the Department to target audits on providers where there is a concern, and leave providers alone that are doing the right thing. Regular requirements for submission of data and other quality based documents for all providers is an additional layer of security for the Department to ensure there is no hidden bad behaviour. This also encourages providers to do the right thing all the time, not just leading up to re-registration.

Page 46-47 "Courses to be funded" No. 1 Should all VET courses be eligible for VET FEE-HELP?

Yes. It is not for the Government to decide what courses have value to the public, what is needed and where. There are far too many variables to do this effectively, and innovation and thin markets are important to nurture. Good, quality providers should have the freedom to pursue areas that their communities need. If other issues such as eliminating ridiculous 'brokers' and ensuring the regulatory focus is on quality occur, only providers that have the best interests of the student and the taxpayer in mind will remain (as they do in the Higher Education sector for example, where the issues in VET FEE-HELP are absent).

For the questions 3-5 in this section, for the same reasons here and those outlined earlier in my email, the answer is emphatically 'NO'. The only consideration may be to cap 'number of courses the students can enrol in'. Possibly it would work to limit student enrolments to one course at a time only.

Other Comments

CCA wishes to make a number of other additional comments.

Protecting Students

- Student entitlement requirements should stay the same. The introduction of the LLN test to the pre-training review process and the Year 12 requirement should be enough to ensure student is capable of completing course.

Delivery mode

- Delivery mode impacts on course costs and must be taken into account if calculating reasonable costs.

VET FEE HELP Ombudsman

- Having an Ombudsman may ensure all providers follow the rules.

Quality measures

- Linking loan access to a student's course progression/engagement does not take into account any budgeting or planning by the provider. If a student commences a course using VFH and then is subsequently denied further VFH due to their lack of progress they could possibly end up withdrawing. Managing this would also be an administrative burden.
- Providers need to meet ASQA or VRQA standards, Standards for Registered Training Organisations 2015, and other contractual requirements. Surely these departments can work together and share their audit and provider performance data. Having to meet higher quality standards or minimum course completion/progression rates would also add an administrative burden.