

**SUBMISSION TO THE ASQA
2013 COST RECOVERY IMPACT STATEMENT
EXPOSURE DRAFT - April 2013**

Executive Summary

The Cost Recovery Impact Statement outlines the rationale and requirement for the Australian Skills Quality Authority (ASQA) to undertake a review of its current fees and charges applied to training organisations. The proposals will effect business planning for all providers of VET. We anticipate that many submissions will have specific comments on each of the proposed fees and charges changes to the different facets of ASQA regulation. CCA has concentrated on commenting on the issues which our members have indicated will have considerable impact on our specific sector as a result of the proposed implementation to achieve greater cost recovery by the government agency.

Whilst community-based NFP education providers make up (we estimate perhaps 10-12%) a very small volume capacity of ASQA's providers, CCA's focus is to ensure some degree of 'a level playing field' in regard to the administrative and compliance burden to VET delivery. As VET policy and funding provisions change around Australia, it is important to ensure that the most important stakeholder, the learner, continues to have a choice in their post-schooling, tertiary education options.

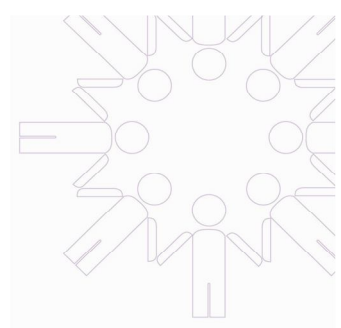
Smaller, NFP providers face resistance from their community and equity groups when fees increase because they see no significant changes to the style and content of their training provision. Good RTOs want to focus on the student, however, the additional cost burden of administrative and compliance paperwork means they are forced to explain to students processes that may not add value to the learning experience.

We understand that due to a variety of operating issues, some RTOs are considering ceasing delivery in National Training Packages accredited training. CCA would be concerned that if, over time, full cost recovery led eventually to fewer RTOs having to contribute to the total ASQA full cost recovery policy.

CCA notes this Exposure Draft has been required because when ASQA was set up in 2011 a commitment was made to review the fees and charges in 2012-13. We note the relatively short timeframe to implement the new fees and charges structure. RTOs, including those who are community-based, are organisations which must contemplate their own financial and business plans in advance for structuring costs pertaining to tutors, venue hire etc. CCA members already have their business planning in place for 2013 and changes mid-year may well impact their financial surpluses for the current period.

We look forward to the consideration of our submission. CCA considers that the key stakeholders to be remembered in evaluating this Cost Recovery Impact Statement are not just the NFP community-based providers of VET but also critically the learners and small businesses who benefit from choice in their training delivery.





Introduction

As we noted in May 2011 when invited to comment on the original Schedule of Proposed Fees and Charges for ASQA, many CCA members have large and diverse scopes. So we again welcome this opportunity to provide input into the proposed amended regulatory fees and charges for Australian vocational education and training providers. CCA considers that it is still particularly important to the debate that ASQA recognise the unique needs of the NFP sector delivering VET and the implications for the future of community-owned enterprises and their clients, especially those that operate in thin student markets including equity group learners and communities in regional and rural areas of Australia.

A key aspect to the vocational learning undertaken and offered by community colleges is the focus on social inclusion that members subscribe to. CCA is willing to assist ASQA further during its deliberations and preparation of its final fees and charges for VET registration and accreditation. We look forward to an opportunity to further elaborate on the points outlined in this submission to ASQA as necessary.

Equity & Reasonableness

CCA members plan their business activities in advance; especially in regard to fee for service pricing and salary levels of teachers and tutors. We note that it is the intention of ASQA to implement the new fee structure from 1st July 2013. CCA observes that this timeframe (given the paper was advised to VET providers in mid-March) is insufficient given the changes that may be required to community education providers plans.

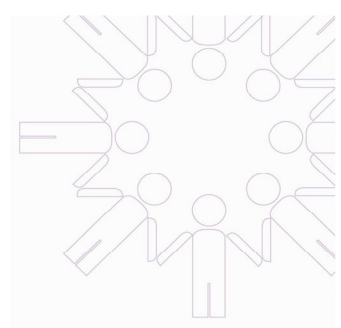
CCA acknowledges that in preparing the recommendation of transitional fee arrangements for ASQA from 1st July 2013, the exposure draft has been developed because the Agency was established to be full cost recovery. However, the regulator responsible for fees and charges to universities, TEQSA, operates on a partial cost-recovery basis. CCA seeks clarification as to why their legislation is consistent with Commonwealth Cost Recovery Guidelines, but ASQA must recover its costs in full.

It is noted that TEQSA has responsibility for a broader range of activities than its predecessor agencies and in reflecting this; its legislation allows TEQSA to only charge for certain activities. Activities including compliance, monitoring and enforcement do not attract a fee. CCA would argue that the Australian Government policy to improve the consistency, transparency and accountability of its cost recovery arrangements should apply equally to the two agencies.

Currently, it is not an equitable approach and in the circumstances of setting the fees and charges for vocational as opposed to academic tertiary regulation, the issue of fairness has been overlooked. In the context of both the education industry and the wider social benefit, where more Australians are likely to participate in their lifetime more often in VET than academic qualifications, CCA would argue that full cost recovery for ASQA is not appropriate. Modification to existing legislation is possible and this should be considered prior to ASQA commencing the full cost recovery process in 2014.

It is noted by CCA members that ASQA operates as a monopoly. Given that RTOs have no choice as to who regulates their quality and compliance - as opposed to their financial audits where they select a company - has the ASQA administrative processes been independently reviewed to identify workplace efficiencies? If public service wage rates were benchmarked to private audit firms would costs be considered reasonable? Does the Government assess their own agencies against independent bodies that are not government owned which may verify / identify reduced cost structures? This is relevant because ASQA has been legislated to recover all its costs; if it had the same selective approach as granted to TEQSA it would not be as critical.





Calculation of Fees and Charges

In terms of the benefits to Australia, CCA contends that the relevant provision and appropriate availability of vocational education to all individuals and businesses regardless of their geographic location or socio-economic status is not only critical for the wellbeing of the country, but imperative if Australia is to achieve its desired workforce participation and productivity rates by 2025, as identified in government publications.

CCA has noted that the new ASQA cost recovery model seems reasonable in some areas, but members have expressed concern with specific classes of fees. CCA is satisfied that the significant increase in application assessment fees will ensure that entities consider carefully their business and quality models before considering becoming an RTO.

However, we would seek some clarification on the proposed fee for “each additional delivery site”. As ASQA is aware there are proposed VET Standards Reform changes that may impact on RTOs partnering with larger VET entities and potentially reducing their own scopes. Recognising the increasing compliance and administration burden on very small community providers, a “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 may arise. It is possible that many more equity group and regional learners could benefit from such a model in the future. However, this concept proposal would become financially burdensome for the RTO at the ‘hub’ of the new model, should the proposed new fee of \$715 for each and every additional delivery site be applied.

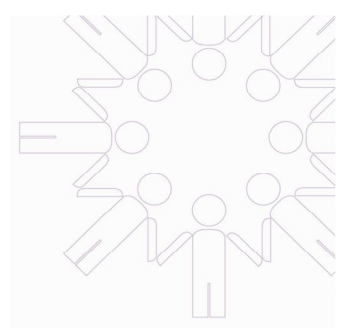
Whilst having a tiered approach to the annual RTO registration fee is logical, the current tiers proposal is unfair to small to medium-sized providers offering more than 4 qualifications. Under paragraph 1.5 of the Exposure Draft, it is noted that ASQA’s regulatory role amount to ~0.3% of the estimated total economic value of the sector. However, when considering the fees for registration the proposal looks only at the *quantity of scope* and not the *volume of learner numbers*.

This means that an RTO with 2-3 specialised qualifications on scope may have thousands of students undertaking courses with them. Therefore, the annual registration costs will be spread across a high income level. However, a community-based provider that needs to have many more than 4 qualifications on scope to satisfy their diverse learner and small business enterprise needs may do only a few hundred people in classes annually. With the introduction of “TVA” from 1st January 2014, it will be possible for ASQA to know the number of students individual providers are training annually. And; CCA would contend that very high volumes of learners may require higher compliance monitoring (in some instances).

The proposal currently could do significant harm to the competitiveness of the training market. The large increase in fees when an organisation moves into the 11-60 qualification bracket could discourage smaller providers from increasing their offerings. It could also contribute to the formation of monopolies in some training areas by favouring only those providers who can benefit from the economies of scale by providing a much larger number of qualifications, hindering those providers who wish to expand by adding qualifications incrementally.

An intermediate bracket of 11-20 qualifications (with the third bracket being 21-60 qualifications) could provide a ‘stepping stone’ for smaller providers wishing to expand their offerings. Alternatively, a fee for each additional qualification over 10 qualifications could also provide a fairer and more reasonable system.





Many CCA members have noted that making the auditing and complaint investigation costs uncapped represent a high risk to smaller providers. It may be fair to expect larger providers to accept a risk of thousands of dollars of auditing costs, but unfair to place an uncapped risk which cannot necessarily be mitigated by smaller providers. Perhaps it would be fairer to cost complaint investigations by a % of the provider's last audited VET turnover? Or, for planning purposes, auditing and complaint investigation costs could each be capped at \$3,760 (two days of an auditor's time) per financial year for providers with fewer than 10 qualifications on their scope. This will limit the risk posed to small providers and enable them to make reasonable budgetary provision for such contingencies.

CCA members have also questioned why additions to scope pricing seem to encourage the addition of many qualifications at one time. Industry expects its training providers to react quickly when a training need arises. As such, single scope additions could occur frequently throughout the year, but not necessarily all at the same time. Would assessing two new scopes not take twice as long as assessing one - depending on the qualifications being added?

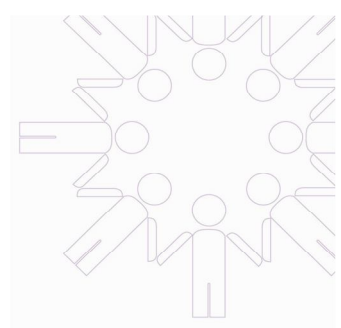
The small numbers of CCA members who are registered for international students have noted that the CRICOS fees increase are significant in what is a highly competitive global market. To remain competitive in this market, student fees need to be priced considering costs of competitors' such as Canada etc. The fee increases could be considered 'short sighted' when overseas students gain employment and contribute to the Australian economy directly and indirectly, well beyond the payment of their college fees. Is it therefore possible for ASQA to have high entry-level fees for such providers but re-evaluate the renewal fees? This could be based on / established through the ASQA records of low risk providers creating a lower fee structure.

A critical component for most community-based providers is the work they undertake in foundation skills / LLN provision. Very few learners seeking/needing education in these qualifications have the ability to pay full fee-for-service. Many CCA members will introduce the new Foundations Skills Training Package on to their scope; some of the smaller providers will suddenly have more than 4 qualifications on delivery. This will make the Renewal of RTO Registration more burdensome.

Foundation Skills / LLN classes always run with very small numbers of learners. The success rate in re-engaging people to improve their skills is achieved because CCA members offer very small group education opportunities. The members serve those with greater social burdens who cannot afford higher fees because improving an individual's self-esteem and "educational wealth" will assist in improving a community's economic wellbeing. It could be considered unproductive to have government needing to fund courses to low SES groups at a higher level because the provider is paying to cover the government's own increased regulatory costs. It could be catastrophic to learners and communities if such training ceased because it was deemed too expensive to operate due to compliance costs.

CCA would recommend that ASQA consider a discount on registration fees for community providers who work in foundation skills/LLN areas and can prove by their annual financial statements that their class numbers average between, for example 4-10. Given that we assume an actuarial approach has been applied to the current proposed fees structure, CCA would request that a considered alternative basing an annual registration fee with a discount based on student numbers and/or \$ turnover could be calculated.





A few years ago the net equity of community education providers was evaluated and the results indicated that few NFP organisations had annual surpluses of >5% on income. Whilst CCA members are focussed on maintaining annual surpluses and retaining sound balance sheets, they have less opportunity to increase their fees substantially due to the learners they serve. Philosophically, NFP providers do not seek high profits or large net equity; to do so would be to limit their community offerings. However, community education providers cannot run continually at loss; as the cost of compliance increases, if they are not able to increase the fees received from (often financially impoverished) learners they will cease operating as RTOs.

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 are potential taxpayers and workers of the future and yet they may be restricted from earning capability and business opportunity if there are fewer training choices available to them.

For all of these reasons, CCA contends that more costing/actuarial calculations should be undertaken by ASQA to ensure fairness in the transitional arrangements for fees and charges and alternative models of calculating fees other than by just *quantifying qualification / scope numbers* is necessary.

Background to Community Colleges Australia

Community Colleges Australia (CCA) is the national peak body exclusively 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.

