

# Senate Inquiry into the *Higher Education Support Amendment (VET FEE-HELP Reform) Bill 2015*

ACPET submission

20 November 2015

## Introduction

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Established in 1992, ACPET is the national industry association for private providers of post-compulsory education and training. ACPET has over 1,200 members nationally who deliver a range of vocational education and training (VET), higher education, and English language programs across all states and territories, as well as internationally.

ACPET's mission is to enhance quality, choice and innovation in Australian education and training. Its members include commercial and not-for-profit entities, community groups, industry providers and enterprise-based training organisations. ACPET works with governments, industries and community organisations to ensure VET, higher education, English language and international education programs are well targeted, accessible and delivered to a high standard.

Through VET FEE-HELP (VFH) students across Australia have received quality training from ACPET members. There has, of course, been evidence of poor training and outcomes arising from some program flaws that have been exploited by a small number of providers and their agents. Through a number of membership quality reforms, ACPET has demonstrated its commitment to addressing, at least amongst its membership, some of the concerns identified with the program.

The Government's VFH reforms announced in March 2015 and the measures contained in the *Higher Education Support Amendment (VET FEE-HELP Reform) Bill 2015* that assist these reforms are supported by ACPET. The board and membership of ACPET are committed to working with the Government and other stakeholders to implement these reforms.

## VET FEE-HELP is an important element of a strong VET sector

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Australia's vocational education and training sector has built an enviable and proud reputation, both domestically and around the world, for its high quality training.

Students and industry satisfaction remains high with well over 80% of students in government-funded training in 2014 being satisfied with the overall quality of their training. Similarly, in 2014 over 80% of employers were satisfied their apprentices and trainees were obtaining the skills they require from training. This is some 3% higher than 2013 and above the level a decade ago.

Recently the NCVER produced the first data on total VET activity, that is, government-funded and fee-for-service. It reveals the great diversity and reach of a sector that was accessed by 23% of Australia's working-age population in 2014. It also highlights the strong outcomes of the sector, with over 80% subject completion rates in both government-funded and fee-for-service activity.

VFH is a significant component of Australia's VET delivery framework. It provides for greater student choice and opportunities, particularly for those students who would not otherwise have access to training. It is important, therefore, that action is taken to address the issues identified with VFH so that it can better support the delivery of quality training that meets the needs of students and industry.

## Support for the reforms

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The concerns with VFH have been well documented through a number of recent inquiries, reports and media coverage. ACPET shares these concerns. It is clear there have been some program design and implementation flaws that have been exploited by a small number of providers and their agents and brokers. The Government is addressing these flaws through the comprehensive suite of reforms announced in March 2015.

The introduction, from 1 January 2016, of a minimum of three fee-periods over the total VET course of study duration responds to the concerns that fees could essentially be claimed up-front. This measure will see students incurring VFH debt in line with their course progression. This measure, which is perhaps the most significant of the VFH reforms, should assist in lifting program completion rates.

The need for greater attention to the selection of quality VFH providers with a sound track record was highlighted by ACPET in its March 2015 submission to the Senate inquiry into the operation, regulation and funding of private vocational education and training providers in Australia. In that submission, ACPET advocated for greater public scrutiny of student completion data so that consumers, regulators and policy makers could focus on supporting successful providers and removing ineffective providers.

The introduction of an outcomes-based performance framework from January 2016, with its focus on student satisfaction benchmarks and improvement in completions, addresses this concern. ACPET looks forward to working with the Government to ensure this framework recognises and engages high-quality providers.

It is important, now, that these reforms are put in place and that the civil penalties and enforcement regime in the Bill that enables action where breaches are identified, is supported by the Parliament.

## Comments on Higher Education Support Amendment (VET FE-HELP Reform) Bill 2015

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Schedule 1, Part 1 of the Bill provides the legislative framework for several important measures including the requirement for providers to have an Entry Requirements Procedure and the requirement for a two-day gap between student enrolment and VFH loan application. ACPET supports these amendments and makes the following observations:

- It is noted at *Item 7, 23B Entry procedures for students*, that there will be student entry requirements that may go beyond that currently required under the Standards for Registered Training Organisations 2015. It will be important in developing the detail of these requirements to avoid unnecessary duplication by having different standards (and evidentiary requirements) for VFH-funded students and other students.
- *Item 7, 23C – Receiving requests for Commonwealth assistance* details the legislative requirement for the two-day gap between enrolment and VFH application. Some concerns have been expressed with the additional complexity and inconvenience for students this requirement brings to the enrolment process. A risk management approach, that imposes this requirement where concerns are held with the enrolment and VFH application processes of identified high-risk providers, may limit these impacts.

A significant number of the measures included in the reforms announced by the Government in March 2015 are already in place or about to come into force from January 2016. Schedule 1, Part 2 provides for the civil penalties and enforcement regime that will assist in ensuring these measures can be monitored and action taken where breaches are identified.

As the Regulatory Impact Statement accompanying the reforms notes, there is a recognition that the current regulatory framework is unable to, nor should it be expected to, deal with some of the issues identified with VFH in a timely and effective manner. The current regulatory recourse available where significant breaches of registration standards are identified is the blunt instrument of provider de-registration which may not be in the best interests of students.

ACPET supports the introduction of the civil penalties and enforcement regime in the expectation that it will provide for a timelier and more appropriate response to breaches of the VET Guidelines. While noting the national regulator, ASQA, will have powers under the Regulatory Powers Act in relation to the enforcement provisions, it will be important to ensure that it has the resources to fulfil this role.

## Opposition Amendments

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In the second reading of the Bill the Opposition proposed a number of amendments that sought to strengthen protection for students and taxpayers in the operation of VFH.

The first of these amendments was the establishment of a national industry Ombudsman that would provide an avenue to deal with and resolve individual complaints from students. ACPET strongly supports this amendment.

For some 12 months ACPET has been advocating the establishment of a National Training Ombudsman. This would provide a consumer-focused complaints handling process for students and providers to complement the National Complaints Training Hotline. The Training Hotline provides a vehicle to receive complaints - not deal with them.

The VET regulators have limited capacity to respond to complaints with the focus on complaints informing audits and strategic reviews.

The introduction of an industry Ombudsman would have a number of benefits: improved industry image, cost-effective dispute resolution, improved communications, early advice to program managers and regulators of potential systemic issues and advocacy of good practice.

Several jurisdictions have a Training Ombudsman or similar arrangements. Nonetheless it should be possible to put in place co-operative arrangements that ensure domestic students across the country have access to a simple, cost-effective mechanism to deal with their complaints.

The second of the Opposition's amendments sought a specific review of VFH by the Australian National Audit Office. While not in an informed position to comment on the merits of this amendment ACPET understands a program review is planned for 2016-17.

The final amendment proposed by the Opposition sought to amend Schedule 1, Item 7, clause 23C of the Bill to require students to receive and accept an offer of VFH assistance from the Department by the relevant census date. It is understood that if this acceptance is not provided by the census date the student will not be able to receive VFH assistance. Under such circumstances, as required under the proposed amendment, student enrolment will be cancelled.

ACPET members expressed some concerns that this requirement, in addition to the two-day gap between enrolment and VFH application could significantly delay, or lead to increased unnecessary cancellation of, student enrolments. This may have significant adverse impacts on students and providers.

A risk management approach that imposes this requirement on those providers where concerns are held with their recruitment and enrolment practices may have less unintended consequences for students and limit the administrative burden on those providers that demonstrate good recruitment and enrolment practices.

ACPET also notes that the Minister for Vocational Education and Skills, during the second reading of the Bill, advised that an electronic lodgement process for VFH applications will be implemented from January 2017 and that it would address the concerns raised by the Opposition. ACPET looks forward to further information and consultations on this electronic VFH application process.

## Further reforms

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As noted earlier in this submission, ACPET supports the VFH reforms and their implementation in line with the timeframes announced by the Government in March 2015. While ACPET has reservations that some measures will add to the administrative burden, the welfare of students and maximising their outcomes has been the overriding consideration.

The ACPET board and members have been deeply engaged in considering measures that may assist in addressing the VFH concerns. The action taken early in 2015 to strengthen its Code of Ethics and introduce a Code of Practice governing members' use of agents and brokers (with the required training of agent and broker staff) are outcomes of this engagement.

This engagement by the board and members, indicates however, that further measures are warranted. The following are recommended by ACPET:

- Establishment of a National Training Ombudsman. As noted earlier, this has been a long-standing ACPET proposal.
- The regulation of VET agents and brokers. The evidence from a range of inquiries, reports and media coverage highlights the significant 'damage' that some agents and brokers are inflicting on students, VFH providers and the sector. While ACPET has introduced measures that govern its members' use of agents and brokers, it does not cover all providers or their agents and brokers.
- Establishment of a limit on the proportion of VFH tuition fees that are payable to agents and brokers. Advice from ACPET members suggests some agents and brokers are seeking more than 50% of student fees in commissions. ACPET is concerned that the rapid escalation in student fees and some unethical behavior reflect these excessive commissions.
- A review of the pricing and student contribution arrangements for VFH. ACPET considers the reforms may not give sufficient attention to the price insensitivity that has been identified with VFH.