



***Submission to the Senate Education and Employment
Legislative Committee***

***Inquiry relating to the Higher Education Support
Amendment (VET FEE-HELP Reform) Bill 2015***

20 November 2015



Higher Education Support Amendment (VET FEE-HELP Reform) Bill 2015

1. Introduction

TAFE Directors Australia (TDA) appreciates the opportunity, on behalf of its members, to make a submission to the Senate Education & Employment Legislative Committee in regard to the Higher Education Support Amendment (VET FEE-HELP Reform) Bill 2015 (the Bill).

'TDA' is the peak incorporated body for Australia's 57 technical and further education (TAFE) Institutes, including six dual sector universities with TAFE Divisions.

We note that the Bill has bipartisan support in the House of Representatives.

TDA supports the Bill and sees it as important that the Bill is approved and that the legislation becomes effective on 1st January 2016 as is planned.

The Bill complements the changes in the VET FEE-HELP Guidelines and requirements administered by the Department of Education and Training that came into effect during 2015.

In respect of the Bill, we are of a similar view to the Hon Alannah MacTiernan MP who commented in her second reading speech that the Bill is modest and belated.

Moreover, we are concerned that measures introduced earlier in 2015 to stamp out the use of incentives by training providers have not been fully effective, and that evidence of unconscionable behaviour by some providers and their brokers includes issues now the subject of regulatory and Federal Court action, and even proceedings by the ACCC.

Put simply, there is a culture of private 'for-profit' providers who have exploited - and without stricter legislation will continue to exploit - any and every loop hole or weakness in the VET FEE-HELP guidelines and legislation.

TDA cautions that current legislation and policy settings appear to be insufficient, and that far stronger control and governance of the VET FEE-HELP loan scheme is warranted in the face of incontrovertible evidence of abuse.

In this regard, TDA recommends that the Government enforces greater scrutiny in related areas under its control and remit in vocational education. For instance, the Commonwealth's historic referral of powers to establish the Australian Skills Quality Authority (ASQA) has demonstrated that far steeper tests to be registered as a training provider are required.

The VET Standards, which were gazetted after acceptance by Commonwealth, state and territory ministers last year, remain weak. The recommendations made by TDA last year during the review of new VET Standards – including far tighter reputation standards such as financial viability requirements, education mission of RTOs and curbing ANY public monies to medium or high risk RTOs on VET funding and/or loans – were all put aside.

For these reasons, our current submission on VET FEE HELP loan amendments causes TDA to comment that it remains rather extraordinary for the Commonwealth to be granted referral powers on regulation, yet arguably still not be using all of these powers, and we are now in the position of amending legislation to stop unethical practices by RTOs accessing Commonwealth student loans (VET FEE-HELP).

Irrespective, TDA supports the Bill.

We make several specific comments:

2. Proposed amendments

We note an amendment to the Bill put forward by the Hon Sharon Bird MP, Shadow Minister for Vocational Education that would require the Department of Education and Training to obtain explicit declarations in writing from each VET FEE-HELP applicant to formally accept a loan.

TDA supports the amendment. In our view this action would significantly reduce the number of loans that would in effect become taxpayer subsidies due to non-repayment; a highly beneficial cost saving for government and tax payer alike.

In addition, the Hon Sharon Bird MP and the Australian Labor Party have also called for the establishment of an industry ombudsman. TDA does not support this concept as it would risk adding another level of bureaucracy.

The referral of powers achieved by the previous government for the establishment of ASQA needs to be enforced. Given the considerable investment in the national regulator, let's not bypass ASQA – let's allow it to regulate.

TDA recommends that the Senate Committee propose an extension to the current Memorandum of Understanding between ASQA and the Department of Education and Training, acting as Administrator of Commonwealth student loans. The extension would include a provision for constraints to be imposed allowing for suspension and/or a stop to student loans being allocated to any RTO if there is ASQA evidence that the RTO is rated medium or high risk according to the ASQA risk framework.

There is no evidence that this sharing of risk data or practice either operates adequately on risk from ASQA to the Department. If the Department were to offer the Senate Committee such clarity on its procedures, this surely would avoid further bureaucracy – and taxpayer costs – for yet another layer of compliance in vocational education, e.g. an Industry Ombudsman.

Certainly, TAFEs already operate within an extraordinary set of conditions. We note that TAFE's are accountable through the democratic process to State Parliaments and State Ombudsmen. Adequate regulation of the non-TAFE training sector would obviate the need for a national training industry ombudsman and must sit as a priority.

3. Comparisons with higher education regulation

A comparison between the successful higher education HECS FEE-HELP scheme and the troubled VET FEE-HELP scheme highlights the differences in regulation between the higher education and vocational education & training (VET) sectors. TEQSA regulates a relatively small number of higher education providers (HEPs) including universities under the Higher Education Standards Framework (Threshold Standards) using a case management approach. This approach, generally regarded as successful, serves as a useful benchmark for VET regulation, especially as it demonstrates (contrasting) publicly accessible information on HEP risk categories and self-accrediting¹ and non-accrediting HEPs.

For instance, TEQSA issued a special statement in December 2014, congratulating one not-for-profit HEP which became the first non-university to gain self-accrediting status under TEQSA; albeit all self-accrediting institutions remain under the authority of TEQSA and the Threshold Standards.

4. Summary

The current controversy surrounding VET FEE-HELP loans, and the scandalous behaviour of many low quality 'for profit' RTOs, needs to be more holistically addressed. It is inappropriate for Australia's \$18 billion international education sector that high standards apply under TEQSA for registration of HEPs, yet the quality bar remains so much lower for vocational education ranging from the registration of RTOs to the application of schemes such as VET FEE-HELP loans.

Without a review of wider procedures in VET – and without clear and high quality classification systems to allocate and monitor the risk of providers - ASQA, as the VET Regulator, faces mounting compliance costs as it deals with the sheer size and risk of regulating almost 5,000 providers; some of which have a business and profit mindset rather than an educational culture.

Among the most disheartening and discouraging aspects of the current VET FEE-HELP model is the disregard shown by unscrupulous providers for the outcomes and welfare of students. Some for-profit providers have enrolled under-prepared or incapable students into courses which they did not need and often gained very little or no benefit from. What they did gain however, sometimes unwittingly, was a debt which has burdened them or the Commonwealth with unrepayable loans for no tangible outcomes.

¹ Self-accrediting authority enables HEP's to self-accredit some or all of their courses.
<http://www.teqsa.gov.au/national-register>

As noted in second reading speeches to the Bill, there is clear bipartisan support for bona-fide students to be able to access VET FEE-HELP loans to study with high quality providers.

While bad providers have significantly tarnished the VET FEE-HELP scheme and VET Diploma qualifications in general, it would be wrong to punish TAFEs and some of the good low-risk providers with an unreasonable burden of process and red tape.

In her second reading speech the Hon Nola Marino MP referred to the role of ASQA in 'lifting the red tape burden on consistently high-performing providers – something that is important to the system.' Clearly this important initiative should be consistent with the categorisation of VET FEE-HELP providers as assessed by the Department of Education and Training.

TDA contends that it is unfair, inefficient and unnecessary to burden TAFE with processes designed to stop disreputable providers without educational excellence and integrity as core guiding principles, from rorting the system even further.

Thank you for this opportunity to comment on the Bill.

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