



Australian Education Union

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Committee Secretary
Senate Education and Employment Committees
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Sir or Madam,

Re: AEU Submission to the Inquiry into the VET Student Loans Package

Thank you for the opportunity to submit to the Senate Education and Employment Committees Inquiry into the VET Student Loans Bill 2016, the VET Students Loans (Consequential Amendment and Transitional Provisions) Bill 2016 and the VET Student Loans (Charges) Bill 2016.

The Australian Education Union (AEU) fully endorses the submission by the Australian Council of Trade Unions (ACTU) to the above Inquiry.

Further, in June 2016, we made a submission to the Department of Education and Training in response to the Inquiry into Redesigning VET FEE-HELP: Discussion Paper which covers the AEU's position on these matters. A copy of that submission is attached for your consideration in this Inquiry.

We look forward to the opportunity to attend a public hearing on these matters.

Yours sincerely,

Pat Forward
Federal TAFE Secretary



Australian Education Union

Response to Redesigning VET FEE-HELP: Discussion Paper

June 2016

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The Australian Education Union is an organisation of employees registered under the Fair Work (Registered Organisations) Act 2009. It represents the professional and industrial interests of approximately 187,500 members employed in government schools and public early childhood work locations, in TAFE and other public institutions of vocational education, in Adult Multicultural or Migrant Education Service centres, in Corrections Education settings, in Disability Services centres as teachers, school leaders, and education assistance and support workers.

The AEU has an ongoing commitment to ensuring high standards of education are provided in all the sectors in which its members work, in the interests of all Australian students and the broader community.

We welcome this opportunity to provide feedback on the ideas presented in the *Redesigning VET FEE-HELP: Discussion Paper (Discussion Paper)*.

Legislation for an income contingent loan scheme (ICL) in the Australian vocational education system was first introduced into parliament in late 2007 by the Howard government, but with bipartisan support, as part of the HELP suite of student loans. VET FEE-HELP was legislated in 2008, and first used by providers in 2009. Conditions of access to the VET FEE-HELP scheme were weakened in the lead up to the negotiations for the *2012 National Agreement on Skills and Workforce Development*, and its introduction into the Australian VET system was one of the structural reforms required of states and territories to achieve the “reform directions” in the agreements. Introducing a national training entitlement (the National Entitlement) and increasing the take-up of income contingent loans (VET FEE-HELP) were two aspects of the reform process which the then government argued would improve accessibility, affordability and depth of skills in the system.

As the 2016 *Discussion Paper* shows, none of these reform objectives have been achieved, and the VET FEE-HELP scheme has damaged the reputation of the Australian VET sector, its structure and overall integrity.

In the *2012 National Partnership Agreement on Skills Reform*, four outcomes were identified:

- a. more **accessible** training for working age Australians and, in particular, a more **equitable** training system, which provides greater opportunities for participation in education and training;
- b. a more **transparent** VET sector, which enables better understanding of the VET activity that is occurring in each jurisdiction;
- c. a higher **quality** VET sector, which delivers learning experiences and qualifications that are relevant to individuals, employers and industry;
- d. a more **efficient** VET sector, which is **responsive** to the needs of students, employers and industry.¹

The requirements to introduce a national entitlement to a government subsidised training place to a minimum of the first Certificate III qualification, and to expand access to the

¹ National Partnership Agreement on Skills Reform, p5-6

Commonwealth’s ICL scheme were attached to Outcome (a): “creating a more accessible and equitable training system.”²

Weakening the conditions attached to the 2008 VET FEE-HELP scheme were part of the process of expanding access to the scheme in the *2012 National Agreements*. Up until this time, take-up of VET FEE-HELP had been relatively small, due, it was argued by providers and stakeholders, to the stringent conditions attached to it. In particular, some stakeholders argued that the requirement for credit transfer arrangements with higher education institutions for vocational education qualifications to be VET FEE-HELP eligible made it far too difficult for providers to access the scheme, and this requirement was abolished in the lead up to the *2012 National Agreement*. The *Redesigning VET FEE-HELP: Discussion Paper* suggests that this requirement, had provided “a significant protection for students and the Commonwealth.”³

Using the Commonwealth’s criteria for evaluating the achievement of outcomes in the National Agreements, two documents which assess the current state of the vocational education system in Australia and the impact of the VET FEE-HELP scheme on it – *The Review of the National Partnership Agreement on Skills Reform – Final Report* and the *Redesigning VET FEE-HELP: Discussion Paper* – provide the government with sufficient evidence to establish the failure of the reform process overall, and to support the abolition of the VET FEE-HELP scheme in particular.

The Review of the National Partnership Agreement on Skills Reform makes the following observation about the overall success of the reform process in the *2012 National Agreements*, of which the VET FEE-HELP scheme was a key part:

The fact that providers other than public providers generally declined in terms of student satisfaction is of particular concern given that one of the objectives of the National Partnership Agreement on Skills Reform is to promote greater innovation and responsiveness to the needs of students, and to increase competition in the market for VET. Whether or not these results are driven by implementation of entitlement models, or pre-date implementation, is unclear. However, the conclusion remains the same: using student satisfaction and student outcomes as a proxy for quality, there appears to have been a deterioration in quality among the part of the sector that the National Partnership Agreement has sought to grow.⁴

In his introduction to the *Redesigning VET FEE-HELP: Discussion Paper*, Minister Scott Ryan, one of six ministers to hold the skills portfolio since 2012, argues that VET FEE-HELP is only a “small part” of the VET sector, but that its problems are having a wider impact, especially on the sector’s reputation. He refers to the scheme’s significant growth, and to growing course costs and student debt. He says:

² Ibid p.6

³ Redesigning VET FEE-HELP: Discussion Paper p9

⁴ Review of the National Partnership Agreement on Skills Reform - The Final Report – 21 December 2015 p41

This period has been characterised by serious concerns over quality, probity and conduct of some providers, low completion rates and unethical practices.⁵

The massive expenditure on VET FEE-HELP has made it a significant, and influential part of the vocational education sector.

The rapid growth of the VET FEE-HELP scheme, especially since 2012, has seen it expand from 5,262 places in 2009 to 272,000 in 2015. This is a 50-fold increase⁶. In 2009, the first year of its operation, \$26m was borrowed, and this grew rapidly to more than \$2.9b in 2015.⁷ Total recurrent government expenditure on vocational education and training (excluding VET FEE-HELP) was \$5.2b in 2014.⁸ In this context, it is very difficult to sustain the argument that VET FEE-HELP is only a small part of the VET sector. Peter Noonan makes the point that VET FEE-HELP funding in 2014 was \$1.7billion – equivalent to the amount the Commonwealth outlaid through payments to the states for VET funding delivery (\$1.6 billion) in that same year⁹ – evidence that the impact of VET FEE-HELP funding on the sector is very significant.

It is not difficult, however, to agree with the Minister when he says that the VET FEE-HELP scheme is damaging the reputation of the sector as a whole. Of greatest concern to the AEU is the impact of VET FEE-HELP, and of the introduction of the national entitlement to training on students, and on the viability of the public TAFE system. The *Discussion Paper* argues:

The financial rewards for signing students up, combined with lack of controls on costs ... provided incentives for very poor behaviour¹⁰

As the government's *Discussion Paper* shows, in the VET FEE-HELP scheme's relatively short history, far from leading to a more accessible and equitable VET system, it has resulted in:

- The targeting of vulnerable people through cold calling or door knocking of neighbourhoods of low socio-economic status (p14)
- Rapid and unsustainable growth, as a result of VET FEE-HELP in public borrowings in the HELP scheme (p15)
- Evidence that a large proportion of VET FEE-HELP loans are not expected to be repaid (p15)
- Significantly lower completion rates for VET FEE-HELP courses compared with the VET sector as a whole; (p19)
- Evidence that the persistently lower completion rates amongst VET FEE-HELP students contributes to their reduced earnings potential, and therefore their capacity to repay (p16)
- Significant increases in the cost of courses as a consequence of VET FEE-HELP, and therefore of higher debt to students (p16)

⁵ Redesigning VET FEE-HELP: Discussion Paper, p5.

⁶ Redesigning VET FEE-HELP: Discussion Paper, p.14

⁷ Redesigning VET FEE-HELP: Discussion Paper, p.15

⁸ SCRGSP (Steering Committee for the Review of Government Service Provision) 2016, Report on Government Services 2016, Productivity Commission, Canberra

⁹ TDA TAFE Futures, Issue 1, March 2016 p9

¹⁰ Redesigning VET FEE-HELP: Discussion Paper, p 24

- The cost of courses with access to VET FEE-HELP having no connection with the true cost of delivery (p17)
- Significantly higher course cost for students accessing VET FEE-HELP, than those accessing a state or territory subsidised programme for the same qualification (p17)
- Evidence that providers target disadvantaged students - disadvantaged students accrue higher fees and debts compared to their non-disadvantaged counterparts, particularly Indigenous and low SES students (p18)
- Overwhelming evidence of unethical behaviour by private providers, especially in their use of brokers and agents, with rorting of VET FEE-HELP almost exclusively a private for-profit sector problem, despite arguments from the government that this aspect of the problem (the role of private sector providers) should not be considered in the current “redesign” process (p24)

Furthermore, the AEU wishes to make the following comments in relation to both the Discussion Paper, the VET FEE-HELP scheme and the vocational education sector more broadly.

1. Sustained under-investment sends a strong message to the community that governments don't value vocational education

Vocational education is the worst funded of the education sectors, as evidenced by the year-on decline in funding recorded in the Productivity Commission's *Report on Government Services*. A recent Mitchell Institute paper showed that funding for vocational education had declined by 11 per cent between 2013 and 2014, by 24 per cent since 2008 and by 42 per cent since 1997¹¹. The Productivity Commission, in analysing the government real recurrent expenditure per annual hour says that it has increased 4.1 per cent since 2005, whereas the number of government funded annual hours has increased by 51.8 per cent. This is an average annual rate of decline of 4.1 per cent since 2005.¹² For a comprehensive comparison of expenditure between the sectors, Figure 6: Expenditure by education sector 2003-04/2013/14 from the Mitchell Institute's *VET funding in Australia: Background Trends and Future Directions* by Peter Noonan¹³ is instructive. Noonan says:

Highly visible and independent reviews in the higher education and schools sectors that attracted public interest and strong stakeholder support and ultimately strong government commitment have led to sustained increases in expenditure through those sectors in higher education from 2011 - 12 (when demand driven funding was fully implemented) and in schools from 2012 – 14 when the progressive implementation of the outcomes of the Gonski review added to the additional funding flowing from the earlier schools national partnership agreements.

¹¹ Professor Gerald Burke: 2005 to 2014 data based on Productivity Commission, *Report on Government Services 2016* Table 5A.34. Data for 1997 to 2004 from earlier reports with prices changed to 2014 levels (based on Long M 2010, TAFE Funding and the Education Targets, AEU).

¹² SCRGSP (Steering Committee for the Review of Government Service Provision) 2016, Report on Government Services 2016, Productivity Commission, Canberra

¹³ Noonan, P. (2016). VET funding in Australia: Background trends and future directions, Mitchell Institute, Melbourne p18

In VET the absence of similar external reviews and stakeholder support combined with its traditionally lower community and political value has seen a decline in public funding.

Both universities and schools now have access to enrolment driven funding linked to per student funding rates whereas VET funding in all jurisdictions is capped with eligibility rules, subsidy and fee levels used to manage VET budgets within those caps. Indexation levels for schools and higher education have to date also been far higher than those applying to VET.

On current budget outcomes and forward estimates, the gap between expenditure on VET and expenditure on schools and higher education will widen.¹⁴

Continuing lack of investment by Australian governments in TAFE and in vocational education and training sends the strongest possible message to the sector as a whole, but also to the Australian community that governments hold the sector in low regard. Failure by successive governments to address poor investment in vocational education, and the lack of decisive action around the activities of a corrupt private for-profit sector combine to damage the sectors reputation, and any investigation of the VET FEE-HELP scheme cannot be conducted outside the context of investment in the sector as a whole.

2. The problems with VET FEE-HELP cannot be considered in isolation from the problems in the sector as a whole – and in many cases are the same.

The problems with the VET FEE-HELP scheme cannot be considered in isolation from the other problems which currently exist across the sector. Indeed many of the problems identified in the Discussion Paper – low quality provision, low student engagement, poor progression, inconsistent assessment and low completion rates, unscrupulous providers and wasted financing are all evident across the whole sector, and are not confined to VET FEE-HELP provision. Neither can they be considered separately from the effect of the other key requirement of the *2012 National Partnership Agreement for Skills Reform* - the introduction of a so-called “national entitlement” which opened public funding to public and private providers. Together, these two requirements were the key components of a concerted shift to organise the VET sector along market lines. The introduction of the National Entitlement and the expansion of the VET FEE-HELP scheme were the beginning of a process which has seen a massive expansion of the private for-profit VET sector in Australia, through rapid opening up of government funding. In 2014, more than 46.4 per cent of recurrent government funding was allocated contestably, up from 18.6 per cent in 2005. The shift in funding allocated to non-TAFE providers has grown from 6.7 per cent in 2005 to 28.7 per cent in 2014.¹⁵

¹⁴ Noonan P.(2016). VET funding in Australia: Background trends and future directions, Mitchell Institute, Melbourne, p19

¹⁵ SCRGSP (Steering Committee for the Review of Government Service Provision) 2016, Report on Government Services 2016, Productivity Commission, Canberra

The argument proffered by the *Discussion Paper* that the problems with the VET FEE-HELP scheme can be discussed separately from the impact of market reforms in the sector overall is not sustainable.

3. VET FEE-HELP was a major public policy shift, and it was introduced with no public discussion, and inadequate preparation.

HECS was introduced in 1989 on the recommendation of a major national public inquiry into higher education financing, which was chaired by Neville Wran. People were given several months to respond to the recommendations, and there was vigorous debate. In contrast, there has been no national public inquiry into vocational education financing since the Kangan report in 1974 and VET FEE-HELP was introduced and then radically extended, without any public inquiry.

4. The VET FEE-HELP scheme has made the vocational education sector less equitable and less accessible - It's better to be white and rich if you want to take out a VET FEE-HELP Loan

As we establish earlier in this submission, the VET FEE-HELP scheme was introduced as part of the first outcome required in the *2012 National Agreement for Skills and Workforce Development*: a more “accessible” and “equitable” training system. It was asserted, but not established, that costs for higher level vocational education qualifications were prohibitive, and that introducing an ICL would relieve the pressure on students, and encourage a greater take-up of these qualifications.

Upon its first introduction into parliament in 2007, the *Discussion Paper* quotes Minister Robb in 2007, in his Second Reading Speech arguing that the introduction of an income contingent loan scheme would assist students pursuing higher level VET qualifications because “high up-front fees act as a deterrent”.¹⁶ Robb went on to say that because VET students could not access student loan arrangements, they were forced to pay fees up front, or to pursue university qualifications instead for which loan assistance was available. Minister Gillard, in her Second Reading Speech to the Higher Education Support Amendment (VET FEE-HELP Assistance) Bill 2008 also refers to the “disincentive of upfront payment of full fees”¹⁷.

In her 2008 Second Reading Speech, Minister Gillard also said that the then government anticipated that 6,000 students would “benefit” from the scheme over the following four years. In 2012, 55,000 students accessed the VET FEE-HELP scheme. That figure has risen to 272,000 in 2015, a 50-fold increase.

In fact, as the *Discussion Paper* shows, the introduction of VET FEE-HELP has made the sector less accessible and less equitable. The Fee-For-Service VET FEE-HELP scheme, which comprises more than 94 per cent of loan value and more than 86 per cent of enrolments is a key mechanism whereby governments have colluded to shift the entire cost of higher level VET qualifications from themselves onto individual students. Since the

¹⁶ Hon Andrew Robb MP, Second Reading Speech, 2007, from Discussion Paper p.9

¹⁷ Hon Julia Gillard MP, Second Reading Speech, 15 February, 2008

introduction of the VET FEE-HELP scheme, costs of qualifications and courses, and loan amounts have increased dramatically, as the *Discussion Paper* notes. Tuition fees have risen by 345 per cent from \$4,060 in 2009 to \$14,018 in 2015. In the same time period, average loan costs have grown from \$4,861 to \$10,739

The *Discussion Paper* provides clear evidence of the targeting by private for-profit providers, on a massive scale, of some of the most disadvantaged members of the Australian community. While High SES students are paying on average \$12,835 for a VET FEE-HELP course, low SES students are paying \$3,358 more (\$16,193). Similarly, non-Indigenous students are paying \$14,328, while Indigenous students are paying \$5,649 more (\$19,977).

5. Reduction in subsidised courses – reduction in student choice and cost shifting

Between, 2008/9 and 2014, there has been an 18 per cent reduction in the number of government subsidised courses in vocational education available to students. The most significant part of this decline occurred after the *2012 National Partnership Agreement* and the introduction of the National Entitlement and VET FEE-HELP. The report of the *Review of the National Partnership Agreement on Skills Reform* reported that:

Some jurisdictions noted that reducing the number of subsidised courses was a deliberate strategy to ensure fiscal sustainability.¹⁸

The number of subsidised courses fell across the period in all but three jurisdictions. This is clear evidence of a reduction in choice for students – but is also clear evidence of the states and territories either cost shifting to the Commonwealth and/or simply reducing their level of investment in vocational education.

6. Fee-For-Service VET FEE-HELP compared with HECS-HELP in Higher Education – not all students are created equal

There are significant structural difference between Fee-For-Service VET FEE-HELP, which as we have said, comprises more than 86 per cent of VET FEE-HELP enrolments, and HECS-HELP in universities. These differences underscore the different treatment of the sectors by the Commonwealth Government, and more importantly, they highlight the different and inequitable way in which students in the respective sectors are treated.

There are a number of ways in which the ICLs are different in higher and vocational education:

- Fees in vocational education are unregulated, whereas university fees are highly regulated. This means that providers can charge students whatever they like up to the maximum lifetime limit on student borrowings – currently \$99,386.
- Fee-For-Service VET FEE-HELP courses, which comprise 86 per cent of enrolments and 94 per cent of loan values have no government subsidy attached. In stark contrast, undergraduate higher education qualifications attract around a 60 per cent government subsidy, with students being required to pay 40 per cent of the costs through their ICL.

¹⁸ Review of the National Partnership Agreement on Skills Reform, p16

- HECS HELP attracts no administration fee. Currently the administration fee for Fee-For-Service VET FEE-HELP is 20 per cent.

In broad terms, the debate which underpinned the introduction of student loans in higher education in the 1980s hinged in part on an argument that students who gained a university qualification could be expected to realise significant personal good – most notably in the form of increased earnings throughout their lives. For many students in vocational education, research shows that returns to them are not as great as for students who gain university qualifications. Nevertheless, the approach which underpinned the introduction of HECS in universities was that because there was both a public and private good attached to these qualifications, then students should contribute some part of the costs of their education.

It seems, through the massive expansion of the fully Fee-For-Service VET FEE-HELP scheme, governments have chosen a different approach to students in the VET sector, expecting them to pay the full cost of their qualifications. It is difficult to understand the rationale behind such an approach, especially given the fact that, as the *Discussion Paper* says, in most cases, the cost of the loan bears no resemblance to the real cost of delivery. Students in the Fee-For-Service VET FEE-HELP scheme also pay a 20 per cent loan fee, whereas HECS HELP students in higher education, and the small number of students in subsidised VET FEE-HELP courses pay no additional administration fee at all.

There have been at least two major examinations¹⁹ of the VET FEE-HELP scheme between its introduction in 2009 until the present one, and it has been the subject of scrutiny in the *Review of the National Partnership Agreement on Skills Reform*. It is simply disingenuous of governments to argue either that they were unaware of the problems with the scheme, or that its introduction has resulted in so-called “unintended consequences”.

Scrutiny of the scheme’s public failures have focussed on massive budget blow-outs, appallingly low completion rates for qualifications, rapid and unconscionable increases in student fees, and dire predictions of unsustainable rates of so-called “doubtful debt”. So far, repeated attempts by the government to “fix” the scheme by tightening regulations around it have predictably, and very publicly failed. Proposals to cap the amount of money that students can borrow, attempt to restrict the eligibility of qualifications to those which are in the country’s purported economic interests are poorly conceived, have not been adequately researched and have been met with contempt by most honest stakeholders in the sector.

7. Fee-For-Service VET FEE-HELP compared with subsidised VET FEE-HELP – not all loan schemes are equal

The VET FEE-HELP scheme is made up of two different loan schemes – a Fee-For-Service VET FEE-HELP and a subsidised VET FEE-HELP scheme. Broadly speaking, Fee-For-Service VET FEE-HELP resembles the higher education sectors FEE-HELP program, while the subsidised VET FEE-HELP scheme resembles the HECS-HELP scheme. As a point of

¹⁹ Post Implementation Review of the VET FEE-HELP Assistance Scheme – Final Report – 30 September 2011; Review of the National Partnership Agreement on Skills Reform - The Final Report – 21 December 2015; Redesigning VET FEE-HELP – Discussion Paper May 2016

reference, Fee-For-Service VET FEE-HELP comprises 86 per cent of enrolments and 94 per cent of VET FEE-HELP loans, and subsidised VET FEE-HELP comprises 14 per cent of enrolments and 6 per cent of loans.

Initially, only Victoria had permission from the Commonwealth to offer subsidised VET FEE-HELP loans, in return for its implementation of so-called reforms in the 2008 Victorian Guarantee. The ability to offer subsidised VET FEE-HELP loans was restricted to so-called “reform states” of which, until 2012, Victoria was the only one. By 2014, there were seven states and territories which had permission to offer subsidised VET FEE-HELP loans.

In order to access subsidised VET FEE-HELP for Diplomas and Advanced Diplomas under the 2012 National Partnership agreements, states and territories had to meet a number of requirements set out in Schedule 4 of the National Partnership. The key requirement was that states and territories had to introduce a national entitlement available at public and private providers of a student’s choice, but the other requirements included:

- Providing assurances about the quality of training for VET FEE-HELP courses
- Agreeing to pay half of bad and doubtful debt, and interest rate subsidy costs
- Ensuring the weighted average loan value does not exceed an agreed set limit, which is currently \$5,000.

In return for these, the Commonwealth Government removed the 20 per cent loan fee for subsidised VET FEE-HELP enrolments.

In 2014, the average tuition fee per equivalent full-time student load (EFTSL) for subsidised VET FEE-HELP enrolments was \$4,857, compared with \$14,144 for Fee-For-Service VET FEE-HELP loans. Growth in the subsidised VET FEE-HELP scheme has been slower than the Fee-For-Service component – their take-up increased by 76 per cent in 2013 and by 39 per cent in 2014.²⁰ It is reasonable to speculate that the more stringent conditions attached to the subsidised component of the VET FEE-HELP scheme have protected it from the worst extremes of the Fee for Service component. The involvement of the states in contributing to bad and doubtful debt, interest rate subsidies and the additional requirements around quality assurance all point to a much more prudent approach to the loan scheme, and one which much more closely resembles the higher education HECS-HELP scheme. In particular, the requirement to ensure the weighted average loan value does not exceed an agreed set limit, which is currently \$5,000 provides an effective cap on the amount that providers charge students – again, something which aligns the scheme much more closely with its higher education cousin. It could be argued, as governments often argue around students being required to contribute to the costs of their education, that the subsidised VET FEE-HELP scheme requires states and territories to have “skin in the game” and that the reasons for its much more measured take-up could be that they (the states and territories) are much more serious about scrutinising quality.

Notwithstanding the fact that the AEU remains opposed to the implementation of income contingent loans in vocational education, any review of the scheme should look closely at its

²⁰ Review of the National Partnership Agreement on Skills Reform, p21

subsidised component, which appears to be much more equitable for students, much better for governments and the public, and a possible model for a much more considered trial in the vocational education sector.

The Review of the National Partnership Agreement report uses data from the NCVER's Students and Courses to show that, overall, whilst there has been a significant increase in the share of subsidised VET FEE-HELP enrolments: "overall higher level qualification enrolments have nonetheless decreased considerably." The report also goes on to say:

A number of factors are driving the move from subsidised enrolments to Fee-For-Service enrolments, primarily the availability of VET FEE-HELP loans and related policy changes. Consultations for this Review indicated that some states and territories have factored in the availability of VET FEE-HELP for higher level VET qualifications into the design of their entitlement and reduced the number of funded courses and levels of subsidies available under the entitlement at the Diploma and Advanced Diploma level.²¹

The VET FEE-HELP scheme is manifestly poorly designed, and was never subject to the scrutiny of public debate and discussion which should have surrounded such a major shift in the governance, funding and organisation of a crucial sector of education. The design and implementation of the scheme were not based on adequate research, nor was it subject to judicious oversight as it was rolled out.

When Australian governments made big financial rewards available to for-profit vocational education providers, through both the National Entitlement and the VET FEE-HELP scheme there was a direct financial incentive for providers to cut their educational inputs and processes and lower their assessment standards which resulted in the degradation of standards and poor quality that plague the sector now.²²

The scheme was introduced into the sector with bipartisan support, with successive governments promulgating an argument for its introduction – the high upfront costs of higher level vocational qualifications – which was manifestly not based on adequate research, and simply untrue. Since its introduction, fees for higher level vocational education courses have increased by many hundreds of percentage points, leading to the assertion in the *Discussion Paper* that course costs and student loan amounts have increased rapidly since 2012, course costs often do not reflect the true cost of delivery, and that a large proportion of VET FEE-HELP loans have no links with industry needs or with specific employment outcomes for students.²³

VET FEE-HELP was not introduced into the vocational education sector to assist students with high upfront costs – it was introduced to pave the way for shifting the sector to a fully user pays funding model.

²¹ Review of the National Partnership Agreement on Skills Reform, p22

²² Moodie, Gavin , *Redesigning the VET FEE-HELP mess*, The Australian TAFE Teacher, Winter 2016, p 8-9

²³ Redesigning VET FEE-HELP: Discussion Paper p16

The 2012 weakening of conditions of access, and the Commonwealth Government mandating of its use in the *2012 National Agreements* ensured its rapid expansion, especially in the poorly regulated and mendacious for-profit VET sector. In 2015, 84 per cent of VET FEE-HELP funding has gone to private for-profit providers, making Minister Ryan’s assertion that “This is not simply a matter of private versus public”²⁴ a nonsense.

Since its introduction, the Commonwealth Government has tried to play catch-up with voracious, corrupt and greedy private for-profit colleges who have taken advantage of the schemes lax conditions and faulty design. Gavin Moodie has made the point that there have been numerous designs and redesigns of markets in Australian vocational education. He argues that all have caused major problems, and have required substantial changes which in turn have caused new problems – which have led to subsequent changes and redesigns. It underscores the fact that it is impossible to fix the problems of market design with more market design.

Recommendations:

1. The VET FEE-HELP scheme should be abolished

The evidence presented in the *Discussion Paper* of low completion rates (in the order of 8 per cent for some qualifications), extraordinary high rates of “doubtful debt”, the lack of alignment between VET FEE-HELP qualifications and industry needs and the lack of alignment between actual course costs and fees charged, when combined with clear additional evidence of targeting of vulnerable and disadvantaged students all lead to the logical conclusion that the VET FEE-HELP scheme should be abolished.

2. A comprehensive public inquiry into the funding and organisation of TAFE and vocational education

Any discussion around the introduction of an income contingent loan scheme in Australia’s vocational education system should be part of a comprehensive public inquiry into the funding and financing of the sector. This would allow discussion and debate around the purpose and future of TAFE colleges in Australia, and the level of government investment in them. Discussion around VET FEE-HELP cannot be conducted in isolation from the many problems currently confronting the sector. Such a discussion would allow consideration of the subsidised VET FEE-HELP scheme, a subset of VET FEE-HELP currently comprising 14 per cent of enrolments and 6 per cent of VET FEE-HELP loans. There is no discussion of the subsidised VET FEE-HELP scheme in the *Discussion Paper*, although it is discussed in depth in the *Review of the National Partnership Agreement on Skills Reform*

²⁴ Redesigning VET FEE-HELP: Discussion Paper p.6