



Submission

Senate Education and Employment Committee

Inquiry

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

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Introduction

The National Tertiary Education Union (NTEU) which represents the professional and industrial interest of some 28,000 staff working at Australian universities appreciates the opportunity to comment on the **Higher Education Support Amendment (VET FEE-HELP Reform) Bill 2015**.

Background

The complete policy failure in relation to the funding and regulation of vocational education and training (VET) in Australia in recent years has been the subject of several reports and has been widely exposed in the media in recent months.

The release of the Senate Education and Employment Education References Committee *Getting your money's worth: the operation and funding of vocational education and training (VET) providers in Australia* on 15 October 2015 highlighted significant problems with the design and regulation of market based contestable funding in VET. The report chronicles a litany of unethical behaviours amongst for-profit VET providers and signals the need for urgent action to limit further damage to the Australian tertiary education system and to students at the hands of providers more interested in exploiting the gaps in the funding system and turning a quick profit than they are in providing high quality education and training.

The design of VET-FEE HELP was identified as a major contributor to these behaviours and appalling outcomes.

According to the VET-FEE HELP Statistical Report (<https://education.gov.au/vet-fee-help-statistics>), also released in October, the number of students receiving assistance under this program increased more than tenfold between 2009 and 2014 increasing from 19,300 to 203,000 (Figure 1 of Summary Report). Over the same period the value of VET-FEE HELP assistance increased from \$26m to \$1,757m (Figure 2 of Summary Report). Of the \$1,552m increase in VET-FEE HELP financial assistance between 2011 and 2014, the report shows that 93% went for full fee paying courses as opposed to State subsidised courses (Tuition Fees Table 4). The report also shows that average tuition fees paid increased from \$4,814 in 2011 to \$12,308 in 2014, a rise of almost 300%. In 2014 the average tuition fee paid by State subsidised students was \$4,857 compared to \$14,144 for full fee paying students.

There is sufficient evidence to demonstrate that the extension of VET-FEE HELP to private providers has led to fee escalation. Not only has there been a tripling of the value of the average VET-FEE HELP loan since 2011, there is also evidence on particular examples of

price gouging where VET-FEE HELP loans are used. In his second reading speech on the current Bill, Dr David Gillespie (Member for Lyne) cited the following example:

There are two stories that I found particularly disingenuous and illustrated how crooked some of these people are. In Cairns there were two providers offering the same course. Funnily enough, they were registered at the same address. One charged \$12,750 on the VET FEE-HELP, but, for the same diploma of management from the same provider, you could get it direct if you paid up front \$3,420

Providers are using the no upfront payment income contingent nature of VET-FEE HELP to artificially inflate the cost of VET. The best way to prevent fee inflation is to put a cap on how much VET-FEE HELP assisted student can be charged for a course as is currently the case under HECS.

As the Senate report concluded, a significant proportion of the increase in total value of VET-FEE HELP loans in recent years had been '*wasted, or milked for profit*'. Not that any further proof was needed, but the National Centre for Vocational Education Research (NCVER) released a report (6 November) entitled *A preliminary analysis of the outcomes of students assisted by VET FEE-HELP*, which showed that only one in five students assisted by VET-FEE HELP was likely to complete their course.

On 20 October 2015, the Australian Skills Quality Authority (ASQA) released the findings of its audit into the compliance with VET FEE-HELP regulations that it began in April this year following a sharp rise in the number of complaints it received. In summary, the audit found that only one in three (7 out of 21) providers audited were fully compliant with the regulations, a further eight providers had certain conditions and undertakings imposed upon them and another six were still undergoing further regulatory scrutiny.

The damage done to VET by deregulatory policies are also highlighted in an Issues Paper released in July by the McKenzie-Coulton *Victorian VET Funding Review* (<http://vetfundingreview.vic.gov.au/>). This report made the very important point that the scope and scale of the problems associated with provision of VET in Victoria, which pioneered the fully contestable market model, involved "*systemic issues, not isolated incidents*." Pertinently and worryingly, it concluded that "*an education leading to greater social and economic participation – the principal purpose of VET – is being undermined by commercial imperatives*."

One of the more serious consequences of Victoria's failed experiment is that it undermined the financial and educational sustainability of public TAFE institutes because it failed to recognise the *"unique obligations on the TAFEs or the value they provide"*. As such, the Issues Paper argues that the current arrangements put at *"risk the delivery of more expensive but highly valued courses such as apprenticeships, and programs for the disadvantaged"*, which will not be offered by private providers because they are costly and unpopular and which TAFE Institutes are finding increasingly difficult to resource.

There were also wider implications with the trading in shares of Australian Careers Network (ACN) being halted on 14 October after it notified the Australian Stock Exchange that it had been told the Australian Skills Quality Authority (ASQA) was about to cancel the registration of its subsidiaries, the Phoenix Institute (Simon Evans, *Sydney Morning Herald* 15/10/15 ACN shares suspended).

This was not the first instance of a trading suspension for a large private for-profit provider of vocational education and training. Trading in *Vocation* shares was suspended in January, as was Ashley Services after the suspension of its participation in the Tools for Trade program.

Other reports outlining unconscionable behaviour, the failure of VET and cost blow-outs associated with VET-FEE HELP scheme are becoming an almost daily event, as witnessed by the following:

- 29 October 2015 [VET dropouts costing us \\$1bn on loans not repaid](#) (Natasha Bitá, *The Australian*)
- 30 October 2015 [Private college taxpayer funding 'should be stopped'](#) (Nicola Berkovic, *The Australian*)
- 30 October 2015: [College 'profiteers' deal \\$3bn blow](#) (Natasha Bitá, *The Australian*)
- 3 November 2015 [\\$100m funding for college to enrol 4000, graduate five](#) (Kylar Loussikian and Julie Hare, *The Australian*)
- 6 November 2015 [Wasted VET Fee-Help student loans up to \\$6 billion](#) (John Ross, *The Australian*)

Therefore, no one is seriously questioning whether something needs to be done. The real question is what needs to be done?

The NTEU argues that it would be a massive mistake to extend the failed deregulatory policy framework from VET to higher education, which remains the federal government higher education policy. What should happen is the opposite, and that is to extend, where appropriate, the successful HECS-HELP arrangements from higher education to VET. That having been said we would emphasise that the government funded, rather than student loan component of the HECS-HELP scheme should also be of a level that does not mean that students undertaking sub-degree level courses are incurring prohibitive levels of debt. Indeed consideration should be given to eliminating student fees for preparatory, enabling or entry level courses.

Government Initiatives

The NTEU acknowledges that the government has been active in trying to close down loop holes and gaps in the existing regulatory framework for VET-FEE HELP which has seen unscrupulous providers not only bolster their own bottom line but which has also left thousands of students with worthless qualifications and/or with tens of thousands of dollars in debt.

In March this year the government introduced significant changes to VET FEE-HELP regulations which were aimed at protecting both students and taxpayers. The reforms, which commenced in April, included cracking down on unethical marketing behavior, which included providers offering free iPads or laptops or other inducements. A further set of reforms came into effect on 1 July and included making it illegal for providers to charge students withdrawal fees or market courses as being “free” or “government funded.”

The further amendments contained in the current Bill add to these reforms, and include:

- requiring providers to establish minimum prerequisites, including minimum numeracy and literacy skills, before allowing student to enroll in each course,
- introducing a 2-day cooling off period for students after they have signed a VET-FEE HELP loan agreement,
- requiring anyone under 18 to have a parent or guardian sign off on any enrolments
- makes it easier for students to cancel VET-FEE HELP debts,
- introducing infringement notices and civil penalties for providers that engage in improper conduct,
- improves administrative arrangements for the approval of providers that have access to VET-FEE HELP.

ALP Proposed Amendments

During the second reading speech in the House of Representatives the Australian Labor Party (ALP) proposed a number of amendments to the current Bill which would have strengthened further strengthened regulation around the operation of VET-FEE HELP. In particular the Bill would have required the Department to ensure students fully understood the value and conditions attached to any VET-FEE HELP loans. Under this arrangement the Department would be required to contact each student independently before the VET-FEE HELP loan was finally approved. This measure would protect the most vulnerable students, including those with English as a second language, from inadvertently signing up to courses with large, albeit income contingent debts.

In particular the NTEU strongly supports the ALP's recommendation to establish a student Ombudsman's office. The role of any such office however, should not be limited to VET or VET-FEE HELP, and should be extended to investigate complaints from any tertiary education domestic or overseas students whether they are enrolled in VET or higher education. This recommendation should be adopted independent of any other changes.

In summary, the NTEU has no objections to the provisions included in the current Bill or the ALP's proposed amendments. In our view however, these measures are simply trying to paper over some very serious cracks in a regulatory and funding mechanism which is not fit for purpose. Much more definitive action is needed.

NTEU Proposal for VET-FEE HELP

There is only one conclusion to be drawn from the evidence outlined above and that is that education is far too important to be left to the market. The Australian experience in VET shows that deregulated tertiary education markets results in:

- the provision of poor quality and in some cases substandard training and qualifications;
- forms of unethical behaviour on the part of some private providers, or their agents, driven more by the profit motive than any interest in providing education and training;
- State/Territory governments cutting public subsidies to VET and shifting the cost on to students through higher fees and the Commonwealth in provision of VET-FEE HELP;

- fee escalation which has been facilitated by any lack of fee regulation and very generous caps on the total amount any student can borrow through VET-FEE HELP; and
- especially in Victoria, undermining the educational and financial viability of public TAFE institutes especially those in regional locations.

There needs to be a fundamental change to the regulation and funding arrangements that apply to VET-FEE HELP. Anything less means that VET will continue to be plagued by the very public and severe consequences of the current market and policy failure.

The NTEU is strongly of the view that the risk and consequences of these failures could be greatly reduced if the government was prepared to bring the funding and regulation of VET-FEE HELP into line with the arrangements that currently apply to HECS-HELP.

The NTEU's advocacy for this alignment of the two systems should not however be seen as an endorsement of the current funding levels associated with HECS-HELP. The Bradley Review of Higher Education and the Lomax-Smith Base Funding Review have shown that current levels of public investment in higher education need to be increased if we are to have a sustainable internationally competitive higher education sector.

Therefore, in endorsing an alignment of the two systems we are referring to the underlying principles or framework, which would involve:

1. restricting access to VET-FEE HELP to public or community based not for profit providers only, such as TAFE and community based adult education colleges;
2. imposing a cap on the maximum fees these providers can charge VET-FEE HELP students;
3. ensuring that the levels of public subsidies provided by State/Territory governments to public providers and fees charged to VET- FEE HELP students are aligned with such subsidies and fees in higher education (which would include eliminating existing administrative fees applied to VET-FEE HELP loans).

The government is clearly of the view that it can minimise the risks and incidents of unethical behavior through stronger regulation. From the NTEU's perspective this is not only

oxymoronic, it would also prove to be ultimately futile as regulators would be forced to react and continually try to close down loop holes and gaps as they arose. Therefore, the NTEU is arguing for a form of direct policy action which limits the access to VET-FEE HELP loans to student enrolled with public providers. While public providers are entitled to exercise a degree of autonomy, they are also directly accountable to government for the way they spend public resources as well as the quality of outcomes for their students.

The issue of fee escalation and the need to cap prices is one that is not only of concern to the NTEU. Even proponents of free markets such as Rod Camm, CEO of the Australian Council of Private Education and Training Providers (ACPET), conceded the need for price regulation when he was recently quoted as saying:

The government can't just have a hands-off approach with price - it needs to help regulate that part of the market because this is not a pure market. I'd be a fool to say; 'Everything's fine, let the market resolve it'
[\(<http://www.educationcareer.net.au/news/hecs-extension-leads-to-private-training-report>\)](http://www.educationcareer.net.au/news/hecs-extension-leads-to-private-training-report).

Another critical reason for pursuing this set of recommendations is to ensure that we have a consistent regulatory and funding framework between VET and higher education. As the Bradley Review into Australian Higher Education noted in 2008:

Anomalies and inconsistencies exist between higher education and VET in areas such as funding and tuition financing. These potentially distort decisions about training and education. VET diplomas and advanced diplomas are planned and funded on a different basis from higher education diplomas and advanced diplomas even though VET and higher education graduates are in direct competition in the labour market.

A recent Organisation for Economic Co-operation and Development (OECD) review of VET in Australiaalso queried why higher education and higher level VET students should pay different amounts in different ways and the effect of these different funding regimes on incentives for education and training.

As these quotes suggest, the effects of having two different regulatory and funding frameworks across tertiary education impact on decisions of:

- governments in relation to costs and which layer of government should pay or how much students should pay;

- providers in terms of course offering to individual students, whether that be the level of course or whether it be a VET or higher education qualification depending on the level of subsidy on offer either through direct payment or indirect benefits such as the operation of income contingent loans schemes; and
- students in terms of what and where to what study and the costs associated with study and or loans used to fund that study.

In terms of good public policy, it is apparent that the anomalies and inconsistencies between VET and higher education funding must be eliminated. The demand driven fully contestable approach adopted in relation to VET has shown to be a complete failure and therefore NTEU is advocating that it be abandoned.