

Second interim report

Referral

1.1 On 24 November 2014 the Senate referred the following matter to the Education and Employment References Committee (committee) for inquiry and report by 10 August 2015:

The operation, regulation and funding of private vocational education and training (VET) providers in Australia, including:

- (i) the access private VET providers have to Commonwealth and state public funding,
- (ii) the cost of education at private VET providers,
- (iii) the regulatory regime private VET providers operate within,
- (iv) the operation of VET-FEE-HELP,
- (v) the quality of education provided by private VET providers, volume of learning requirements and graduate outcomes,
- (vi) marketing and promotional techniques employed by private VET providers and education brokers both domestic and international,
- (vii) any incidents or allegations of non-compliance with regulation and funding arrangements at private VET providers,
- (viii) political donations made by private VET providers,
- (ix) international comparisons to the Australian funding and regulatory regime,
- (x) the operation, regulation and funding of private VET providers specifically offering courses in aged care and early childhood education and their labour market outcomes, and
- (xi) any related matters.¹

1.2 The committee presents this interim report to the Senate on 5 June 2015.² On 14 May 2015, the committee was granted an extension by the Senate to table its final report by 16 September 2015.

1 *Journals of the Senate No. 67*, 24 November 2014, p. 1828.

2 *Journals of the Senate No. 79*, 2 March 2015, p. 2209.

The context of this inquiry

1.3 In April 2012 the Council of Australian Governments (COAG) agreed to a revised National Agreement for Skills and Workforce Development and a new National Partnership Agreement on Skills Reform.³

1.4 At the heart of these reforms was the adoption of the Commonwealth proposal for a national training entitlement, the increased availability of income contingent loans, and a more open and competitive vocational and educational training (VET) market.⁴

1.5 As of July 2014, VET providers in all states and territories, excluding ACT, have access to the income contingent loan scheme VET-FEE HELP.⁵

1.6 Since the introduction of these reforms the profile of VET provision in Australia has changed significantly,⁶ and as such, this inquiry aims to provide some perspective on the impacts of these changes, with a specific focus on private providers.

Funding concerns

1.7 In its first interim report, the committee noted a number of concerns about funding, including the rapid increase in government funding to non-TAFE providers since the implementation of the market-driven funding model for VET. Specifically, the committee noted that government payments to non-TAFE providers for VET delivery had increased from \$523.4 million in 2008 to \$1362.8 million in 2013^{7,8}.

1.8 The committee also expressed concern about the increased volume in VET FEE-HELP funding to for-profit VET providers who retain a substantial amount of the

3 Council of Australian Governments, *Reform Agenda: Skills and Training*, https://www.coag.gov.au/skills_and_training (accessed 18 February 2015).

4 Council of Australian Governments, *COAG Meeting, 13 April 2012*, <http://www.coag.gov.au/node/313> (accessed 18 February 2015). A national training entitlement is a government-subsidised training place to at least the first Certificate III qualification.

5 Australian Government, Department of Education, *VET Administrative Information for Providers*, November 2014, p. 35. VET FEE-HELP is an Australian Government loan program to help eligible students enrolled in higher-level VET courses pay their tuition fees.

6 Y. Serena, & Oliver, D, *The Capture of Public Wealth by the For-Profit Sector*, The University of Sydney Business School, <http://www.aeufederal.org.au/Tafe/WRCAEU2015.pdf>, p. 10 (accessed 18 February 2015).

⁷ Australian Government, Productivity Commission, *Vocational education and training*, 2013, Attachments, Table 5A.7.

⁸ Payments to non-TAFE providers of VET delivery include payments to secondary schools, other government providers, enterprises, private providers, community providers, industry and local government providers.

loan as profit, noting that in 2014 the VET-FEE funding to for-profit providers was \$592.6 million compared with \$177.5 million for state-administered TAFE institutes.⁹

1.9 Finally, the committee expressed concern about evidence suggesting that 40 per cent of all VET FEE-HELP loans will not be repaid due to lack of job opportunities for VET graduates and low wages.¹⁰ Such a high level of bad debt in effect functions as an additional subsidy to providers as the cost is borne by the taxpayer.

1.10 The committee anticipates it will explore issues related to funding in greater depth in its final report.

Marketing techniques used by private providers

1.11 Since the inquiry was referred to the committee in November 2014, the committee has received a number of submissions that include concerning reports of aggressive marketing techniques used by private education companies and education brokers.

1.12 Submissions suggest that some of these aggressive marketing techniques include promises of free equipment such as laptops and tablets upon signing up for courses, and a failure to disclose costs. However the Committee notes that, from 1 April, the Government banned inducements – such as cash, meals, prizes, vouchers or laptops – to encourage potential students to sign up for VET FEE-HELP loans.¹¹

1.13 A number of submissions have suggested some providers have indicated that courses are free, and have not disclosed the VET FEE-HELP debt that will be incurred. This has led to students later finding out that they have large and unexpected debts which they cannot afford to repay. The Committee notes the Government announced tightened VET marketing and recruitment practices on 12 March 2015. A training provider or their agent/broker is no longer able to market training as “free” or “government funded”.¹²

1.14 In light of the submissions received to date, the committee remains concerned about the link between access to government funding and a subsequent increase in targeted marketing, particularly that which de-emphasises the real cost of undertaking VET and misconstrues the costs associated with VET FEE-HELP. The Committee

9 Minister for Industry (2014) Response to Question on Notice No. 769, 17 July 2014 quoted in Y. Serena, & Oliver, D, *The Capture of Public Wealth by the For-Profit Sector*, The University of Sydney Business School, <http://www.aefederal.org.au/Tafe/WRCAEU2015.pdf>, p. 16 (accessed 18 February 2015).

¹⁰ Andrew Norton, *Submission 11*, p. 2.

¹¹ <http://studyassist.gov.au/sites/studyassist/helppayingmyfees/vet-fee-help/pages/vet-fee-help-reforms>

¹² <http://studyassist.gov.au/sites/studyassist/helppayingmyfees/vet-fee-help/pages/vet-fee-help-reforms>

notes the Government is targeting this as part of their reforms, with a focus on making it clear that VET FEE-HELP is a loan that is expected to be repaid.¹³

Issues raised in submissions

1.15 The committee decided to extend the date for receipt of submissions because of the interest expressed by stakeholders, including both private providers and individuals. The committee also agreed to a number of additional extensions to submit to allow interested parties to share information with the committee.

1.16 While the committee is yet to fully examine all submissions, a number of issues have been raised repeatedly, including:

- (a) aggressive marketing techniques that include promises of free tuition or free equipment;
- (b) insufficient information provided to allow students to make a fully informed decision prior to signing up for a course;
- (c) language and/or literacy barriers that lead to students either signing up for courses without properly understanding the terms and conditions, and/or courses not being appropriate for their language/literacy level;
- (d) inadequate screening processes for students; and
- (e) difficulties in dealing with providers by students who wish to withdraw from courses, or express other concerns about courses or fees.

1.17 It is worth noting that this is not an exhaustive list of the many issues raised with the committee through submissions. However, it demonstrates a number of key concerns that the committee intends to consider in more depth during the course of the inquiry, including at a hearing.

1.18 It is also worth noting that a number of private providers have been offered a right of reply to some submissions in which adverse comment was made about them or their conduct. The committee is equally committed to considering such responses, as well as any other information private providers may wish to provide, so that it can gain a full and balanced understanding of the private VET sector in Australia and the challenges faced by all stakeholders.

1.19 The committee previously noted it anticipates exploring the regulation of VET in Australia, and hopes to focus on the quality of private VET provision, the competence of graduates, the recruitment of students and regulatory enforcement.

Recent developments

1.20 There have been a number of important policy developments, at both the federal and state level, in relation to VET service provision and funding. The committee believes these developments reflect growing concern about the existing policy and funding situation across a range of stakeholders, including government.

¹³ <http://studyassist.gov.au/sites/studyassist/helppayingmyfees/vet-fee-help/pages/vet-fee-help-reforms>

1.21 The 2015 federal budget indicates that while 225,000 students access VET-FEE-HELP in 2014-15, only 128,000 students are projected to access it in 2015-16. This significant reduction is clearly a response to issues across the sector that have been highlighted publicly, including through this committee's inquiry. Nearly halving the number of students accessing VET-FEE-HELP will have a significant impact on the sector as well as the budget, and is therefore an issue the committee believes warrants detailed consideration.

1.22 The Committee notes the during the Estimates hearing held 3 June 2015 ,the Department of Education and Training gave evidence regarding the this concern, noting that:

- (a) The actual number of people who have accessed loans in 2014-15 compared with estimates. The number of people who actually accessed a loan in the 2014 calendar year (the basis on which the Department calculate loans) was around 123,000.
- (b) An expected small reduction in the number of people taking out a loan as a result of the reforms announced on 12 March 2015, A change in the anticipated numbers of students taking out a VET FEE-HELP loan for State-subsidised courses (from 107,000 to 20,000).

1.23 The decision of the South Australian government to prioritise TAFE in terms of the provision of the vast amount of VET places is also significant. It reflects deep concern with the existing national partnership agreement on training. The response from the federal government, to effectively penalise South Australia for prioritising TAFE by withholding \$65 million in funding is disappointing and short sighted. The committee believes the government should work to review the existing arrangements to take on board concerns rather than punishing states for prioritising public sector provision.

Conduct of the inquiry

Submissions

1.24 The committee called for submissions by 13 February 2015 and extended this date to 31 March 2015, due to the ongoing interest expressed by members of the community. The committee also allowed a number of extensions to submit and has offered a right of reply to several providers.

1.25 The committee has now received 80 submissions, the majority of which have been made by VET service providers and trainers, peak stakeholder organisations and students. The committee thanks all those individuals and organisations who made a submission to this inquiry.

Additional consultation

1.26 The committee intends to hold a public hearing in Sydney on 16 July 2015, and may hold other hearings.

Senator Sue Lines
Chair