

## **Redesigning VET FEE-HELP**

### **Discussion Paper**

Adult Learning Australia (ALA) is Australia's peak organisation for adult and community education. ALA has been in operation for 56 years and has members in every state and territory. We are committed to ensuring that all Australians can access the benefits of lifelong and lifewide learning.

By 'lifelong learning' we mean learning beyond school throughout the adult years via the formal education system, in workplaces and through community participation.

By 'lifewide learning' we mean developing the skills and knowledge required to engage in meaningful work, to participate fully as a citizen in a vibrant democracy, to live in harmony in a diverse, multicultural and rapidly changing society and to manage one's health and personal wellbeing at all ages including in later life.

Adult Learning Australia represents members from across the adult and community education (ACE) sector including not for profit registered training organisations. ACE is a discrete fourth sector of education in Australia. It is a community based, owned and managed not for profit sector that is committed to providing accessible learning opportunities for adults in local communities.

ACE organisations and practitioners place the learner at the centre of the services they offer. They support hard to reach and disadvantaged learners to re-engage with adult learning where they may not have had success previously.

Access to a fair and equitable vocational education and training system (VET) is an integral component of adult learning and the ACE sector. It must be a quality driven system that is supported financially and through sound government policy that encourages open access and maintains the integrity of VET to the benefit of the individual and for the community in general.

## Adult Learning Australia's response

### Protecting students

#### Student eligibility to access a loan

##### Discussion questions:

1. Are further student eligibility requirements necessary?
2. Can the administrative complexities involved in taking a Language, Literacy and Numeracy Assessment be reduced while ensuring this standard regarding student preparedness remains?

A major issue identified with the VET FEE-HELP scheme was the enrolment of students to a diploma level qualification who have little chance of successful completion. As detailed in the discussion paper, many of the learners targeted in the VET FEE-HELP abuse scandal were from disadvantaged backgrounds.

1. ALA believes the student eligibility requirements are sufficient at this stage and should be reviewed after the Certificate IV pilot.
2. There are generic LLN assessment tools available that may minimise the administrative burden for providers; however, ACE RTOs may wish to develop their own independently validated LLN testing instruments that also consider learner cohorts and the context of the qualification. It is difficult to see how this process could be simplified without distorting or diluting outcomes.

##### Discussion questions:

1. Should a separate and lower lifetime loan limit apply just to VET FEE-HELP?
2. If a separate limit was applied, what would a suitable limit be?
3. If a separate limit was applied, how should this interact with the current lifetime loan limit for FEE-HELP?

The opening up of the training market to contestable funding has created a substantial increase in the VET FEE-HELP liability to the Australian taxpayer and to students who have accessed the scheme. The increased regulation of the training market may assist in tightening the debt that an individual may incur, however, if government policies are to push the cost of training onto the consumer then consideration must be given to reducing the potential of a liability blowout to an individual undertaking training. The increased pace of change to work with technology and globalisation means that people will need to be retrained/upskilled more frequently than in the past. Having access to an income contingency loan (ICL) will assist prospective students to do so without

the potential disincentive associated with upfront costs. Before a recommendation can be made of an alternative cap on the lifetime ICL amount government should commission a review that will identify a reasonable loan limit in consideration of a more tightly regulated training market in terms of provider compliance conduct, course pricing structures, fee regulation, attrition and completion rates, etc.

### **Addressing course costs**

#### **Discussion questions:**

1. What action could the Commonwealth take to address the rising cost for students undertaking VET with access to VET FEE-HELP?

Students enrolling in a course using VET FEE-HELP as the funding mechanism must be made aware of the impact on them in the longer term. There should be an awareness campaign supported and funded by government targeted at organisations that support vulnerable and disadvantaged people and communities, those who were the target of the unscrupulous brokers and agents of RTOs.

Under the deregulated system, there has been an increase in for-profit, private education providers who are free to set their own course fees. This has resulted in significant pricing discrepancies across registered training organisations. Students then borrow the full cost as a VET FEE-HELP loan.

ACE providers are owned by their communities and governed by volunteer committees of management or boards. As not for profits, their operating costs are low and government funding is largely spent on teaching and learning activities as opposed to subsidising corporate profits. Reform is required that ensures VET courses are priced at a consistent level that accords with course quality, content and duration.

### **Calculating 'reasonable costs'**

#### **Discussion questions:**

1. Should the Commonwealth target its investment in VET FEE-HELP to courses that align with industry needs, lead to employment outcomes, result in a public good or provide pathways to higher education?
2. What are the implications of the Commonwealth setting national prices or loan values for qualifications despite significant diversity in the cost of training across different geographic locations, student populations and mode of delivery?
3. If the Commonwealth did set prices or maximum loan values for qualifications, what parameters should be used to determine how to set these values?

Adult Learning Australia supports access to learning for all Australians and therefore will advocate for a level of support that will enable an individual to re-engage with learning leading to employment, further study or community engagement. The question that this discussion raises is who is really investing in VET FEE-HELP. The concept of VET FEE-HELP centres on its purpose as an income contingency loan, which must be paid back, overtime and attracts interest. Therefore it is reasonable to say a taxpayer who is required to repay the loan makes the investment in VET FEE-HELP.

Setting a national price for a student loan has the potential to disadvantage some providers and students; for example, those in regional and rural Australia where the cost of delivery is higher and resources are limited, or in qualifications where there are low enrolments and course costs may be higher as a result.

The important thing is for the fees charged by RTOs to accurately reflect the real cost of delivery.

### **Delivery mode**

#### **Discussion questions:**

1. Should mode of delivery be factored into any calculation on reasonable cost? If so, what mechanism could be used?

The mode of delivery should be factored into the calculation of reasonable course costs. The use of technology reduces the cost of delivery and introduces efficiencies that should be passed onto the student.

Reform is required that ensures VET courses are priced at a consistent level that accords with course quality, content and duration. Currently there are examples of diploma courses delivered by RTOs that are run with reduced time frames. This raises the question of the quality of delivery and the value to the student. Introducing minimum course delivery times aligned to the calculation of costs may assist in approving the quality of delivery to the student.

### **Consumer information and the role of brokers and agents**

#### **Discussion questions:**

1. How could existing information resources be improved to ensure greater access to information for VET FEE-HELP students?
2. Should VET FEE-HELP providers have an obligation to provide information in a consistent form about the scheme to students?
3. Is there a role for an agent, or an intermediary, to assist students to make a choice regarding a course and provider?
4. If so, how should such an agent be regulated to ensure the interests of the students are paramount, rather than the interests of providers?

The use of brokers and agents in the training market introduces a third party leading to market failure, as has been the case since the deregulation of the training system. Websites such as Myskills should be resourced and used as a single point of information for students.

RTOs must be required to provide transparent information in plain English on course costs and VET FEE-HELP. The information provided must be consistent across the sector and should properly inform students and stakeholders engaging with the training system. Students should acknowledge in some way that they understand the information presented to them.

Adult Learning Australia does not support the use of brokers or third party agents. Student engagement with training must rest solely with the RTO as the organisation accountable to the regulator and ultimately government.

### **VET FEE-HELP ombudsman**

#### **Discussion questions:**

1. Would a VET FEE-HELP ombudsman help address student complaints and issues?
2. Should such an ombudsman be time-limited?

ASQA received many complaints about VET FEE-HELP abuse; however, because it did not fall within their statutory authority ASQA referred complainants to the Department of Education and Training or the Australian Competition and Consumer Commission. The student complaints issue is complicated by who is responsible for what.

The use of a VET FEE-HELP ombudsman may have assisted with a more timely response to dealing with the issues. There is a burgeoning need for an independent arbitrator to deal with students who have yet to discover they were misled in signing up to a diploma under VET FEE-HELP and will require support to have the loan cancelled.

### **Regulating providers**

#### **Using a maximum scheme or provider loan caps**

#### **Discussion questions:**

1. If the Commonwealth were to maintain a cap on provider loan values, how could this ensure the current issues are addressed?

Provider loan cap values are a mechanism that can be used to restrict the rapid growth of RTOs leading to market failure. Figure 8 in the discussion paper provides a startling example of the growth of an RTO's VET FEE-HELP loan payment of \$0 in 2014 to almost \$300M 12 months later. Had there been a loan

cap in place this would not have occurred. The capacity of an RTO's ability to deliver must be aligned to their access to VET FEE-HELP.

### Quality measures

#### Discussion questions:

1. Should access to VET FEE-HELP loans include a requirement for students to be engaged in their training and working towards completion?
2. How could student engagement, progression or completion be measured and tracked?
3. Should providers be required to meet minimum specified course completion or progression rates?
4. Should higher quality standard be applied to RTOs seeking to provide VET FEE-HELP?
5. What additional standards should be considered when granting VET FEE-HELP provider status?

Responsible delivery of training to students must include evidence of engagement regardless of the source of funding. Providers must report on student engagement, progression and completion through student management systems.

VET FEE-HELP is one of the options available to the consumer to assist with paying for a course. It should not be differentiated or sit independently from other financial mechanisms or have higher quality expectations. This leads to confusion and introduces risk of rorting and abuse within the training system where other forms of funded training may have a different level of compliance.

### Reapplication process for all providers

#### Discussion questions:

1. Should all existing providers be required to re-apply for the new VET FEE-HELP scheme?
2. How would transition arrangements for existing students be managed?

The extent of the issues and the liabilities due to the systemic abuse of VET FEE-HELP presents a strong argument to require existing providers to re-apply for a new VET FEE-HELP scheme. Existing providers should be allowed to complete students currently enrolled. Similar to the teach out period when a new or updated training package is introduced, so students already in engaged in the system under VET FEE-HELP are not disadvantaged, and the VET system complicated even further brought about through bureaucratic changes.

## Time limited registrations

### Discussion questions:

1. Should access to VET FEE-HELP scheme be time limited?
2. If so, how long should 'licences' apply for?

Access to the VET FEE-HELP scheme should be time limited, and include provision for early termination, should there be evidence of fraudulent behaviour or poor quality/delivery practices by the registered training organisation. Access to the VET FEE-HELP scheme should be for a minimum of three years.

## Managing the system

### Courses to be funded

### Discussion questions:

1. Should all VET courses be eligible for VET FEE-HELP?
2. If not, how should course eligibility be determined?
3. Should the Commonwealth consider capping the number of courses students can enrol in?
4. Should the Commonwealth consider capping the number of places in any given course?
5. Should the Commonwealth consider capping the number of places a provider may offer?

Restricting access to VET FEE-HELP would introduce a mechanism to reduce the growth of qualification areas that were targeted for abuse by some RTOs. The challenge associated with restricting courses that can be accessed for VET FEE-HELP funding could have a negative impact on the opportunity for learners in rural areas to engage with training.

Several years ago state based governments removed funding to some qualifications without considering the impact on other sectors. One example is the removal of funding to support Cert III in Retail. It was found that retail was a feeder course into Cert IV in Financial Services. Capping of places to certain courses and with providers would be a preferred option but would need to be undertaken in consultation with industry and peak bodies.

## Information on performance

### Discussion questions:

1. How could provider data requirements be enhanced in the redesigned VET FEE-HELP scheme at what frequency could providers report to the Commonwealth?

RTOs are already required to use a student management system to report on training delivery. Information that is critical to the integrity of the training system, including VET FEE-HELP data, should originate from a single point and not have double entry, which is inefficient, costly and a risk of system failures. Clear and consistent contractual requirements, including a reduction in reporting timeframes, would support providers in compliance and reduce risk.

## Tuition assistance

### Discussion questions:

1. What tuition assurance arrangements are necessary in a redesigned scheme?
2. How can the tuition assurance arrangements be more responsive to direct regulation?

The discussion paper mentions that consideration should be given to introducing a course progression or engagement component, based on the progress of students, and paid incrementally from the Commonwealth to the RTO.

One of the challenges that arose through VET FEE-HELP scheme abuse was the rapid growth in the VET system, leading to the potential collapse of tuition assurance schemes, due to underfunded liabilities of RTOs that had their registrations cancelled.

Introducing a stage payment system based on course progress could reduce the risks and costs of a tuition assurance scheme.