



Australian Government

Redesigning VET FEE-HELP

Discussion Paper

ISBN

978-1-76028-711-5 [PDF]

978-1-76028-712-2 [DOCX]



With the exception of the Commonwealth Coat of Arms, the Department's logo, any material protected by a trade mark and where otherwise noted all material presented in this document is provided under a Creative Commons Attribution 3.0 Australia (<http://creativecommons.org/licenses/by/3.0/au/>) licence.

The details of the relevant licence conditions are available on the Creative Commons website (accessible using the links provided) as is the full legal code for the CC BY 3.0 AU licence (<http://creativecommons.org/licenses/by/3.0/au/legalcode>).

The document must be attributed as *Redesigning VET FEE-HELP: Discussion Paper*.

Contents

A message from the Minister for Vocational Education and Skills	5
Executive Summary	7
The VET FEE-HELP scheme	8
What is VET FEE-HELP?	8
Conception and implementation – 2007 to 2009	9
The 2012 VET FEE-HELP expansion	10
Features of the expansion	10
Design flaws	11
Limited regulatory powers	12
Key trends since 2012 expansion	14
Rapid growth in student participation	14
Rapid growth in cost to taxpayer	15
Rapid growth in costs to students	16
Course and skill prioritisation	19
Concerns about quality	19
Financial incentives driving course delivery	21
Unethical provider practices and the role of brokers and agents	24
Qualification creep	25
Dominance of VET FEE-HELP by small number of providers	26
Access by public providers and changes to state funding in other training options	27
Actions undertaken since 2012	29
2015 and 2016 reforms	29
Are the reforms working?	31
The regulatory and compliance regime needs to be further strengthened	33
Options for change	35
Protecting students	35
Regulating providers	42

Managing the system.....	46
Next Steps	49
Feedback opportunities	49
Appendix 1: VET FEE-HELP Reforms (2015 and 2016)	50
Appendix 2: Australia’s national VET system.....	51
Background	51
Change in the sector	51
Roles and responsibilities	52
Appendix 3: principles and objectives for the 2017 VET FEE-HELP redesign.....	53

A message from the Minister for Vocational Education and Skills



The vocational education and training (VET) system is an integral part of the Australian education system.

Delivering training to almost 4 million students annually, it helps improve Australia's economic prosperity by equipping students with workplace specific skills, designed by industry, for a wide range of occupations. It also represents an important economic and social opportunity for those seeking new employment opportunities, or those seeking to retrain.

For these reasons, it is critical that all elements of the VET system both build public confidence and are efficient as possible, representing good value for money for students, employers and taxpayers.

VET FEE-HELP is only a small part of the VET sector, but the problems in this programme are having an impact on the wider sector, both in terms of impacts on students and providers, and reputation more generally. I understand the concerns of many that the system remains fragmented, and while this is outside the scope of this paper these issues remain under consideration.

While the Commonwealth has a limited direct role in the VET system, one of the Commonwealth's key responsibilities is the VET FEE-HELP scheme. Since it commenced in 2009, the VET FEE-HELP scheme has supported hundreds of thousands of Australian students to participate in VET and gain qualifications.

Initially the VET FEE-HELP programme focused on supporting pathways into higher education. In 2012 it underwent a dramatic expansion. These changes removed the link to higher education and opened the scheme up to vocational education and training more generally, at the diploma level and above.

Since these 2012 changes, the scheme has experienced significant growth, reflecting student demand, but also growing course costs and student debts.

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

There are many reasons for each of these individual issues, but the key common factor is that the changes in 2012 did not contain sufficient safeguards for students or regulatory powers for the department, instead providing incentives and rewards for unethical behaviour. Investigating these continues to be a key focus of Government activity.

Attention has also been drawn to significant increases in costs to the budget through substantially lower than forecast loan repayment rates. The issue of VET FEE-HELP repayment thresholds, however, cannot be appropriately considered in isolation from the wider HELP scheme.

The Commonwealth Government is committed to improving the integrity of the scheme and ensuring its long term fiscal sustainability. The changes that were introduced in 2015 and took effect in 2015 and 2016 have addressed some of the most disturbing practices. However, further change is necessary.

We need to ensure the scheme is underpinned by a strong regulatory framework that provides greater protection for students, delivers quality and affordable training that has strong links to industry needs, at an affordable cost to taxpayers. This is not simply a matter of private versus public sector provision, VET has always been a blended sector and should remain so.

To achieve this, there needs to be a frank assessment of the scheme thus far. To address the problems we must first understand them. We must also specifically consider the impacts of possible changes to the scheme, in particular the incentives they provide for providers and students and, in some cases, governments. That is why I am committed to a wide ranging and comprehensive consultation process.

Following the consideration of this paper, the Government will undertake a detailed and wide consultation process to consider and discuss these options in more detail, and in particular consider the incentives they create for behaviour of students and providers, prior to bringing forward specific proposals for reform and redesign of the system for 2017.

Further information about providing submissions and timelines for the VET FEE-HELP redesign are available at the conclusion of the paper.

A handwritten signature in black ink, appearing to read 'Scott Ryan', with a stylized, cursive script.

Senator the Hon Scott Ryan

Minister for Vocational Education and Skills

Executive Summary

Australia's vocational education and training (VET) sector delivers workplace specific skills and knowledge across a wide range of careers and industries, and is crucial to Australia's social and economic prosperity. VET contributes to developing our national workforce, provides pathways to employment and addresses barriers to workforce participation.

The VET FEE-HELP scheme commenced in 2009, and provides income contingent loans to students studying higher level VET qualifications. Its original intent was to remove financial barriers to study and to encourage students to pursue pathways to further or higher skilled qualifications in the higher education sector.

In 2012 the then Australian Government removed the requirement for a link to higher education in an effort to open up state and territory training markets. Whilst this has led to benefits including competition and agility to respond to changing consumer and economic needs, these changes also created serious weaknesses in the scheme and exposed it to abuse.

In particular, the application of a system designed for universities to VET, without taking into account the differences in the sectors and low barriers to entry, is the key cause of the future problems with VET FEE-HELP.

In addition, the legislation provided for only limited compliance powers for the department, as the relevant consideration for determining payments to providers was whether or not the provider's students had an entitlement to VET FEE-HELP.

The extraordinary growth of the scheme since 2012 led to urgent action, with sixteen reforms introduced by the Government in 2016 to address unethical behaviour and abuse of student entitlements.

Despite progress made as a result of these reforms it has become clear that the scheme is no longer sustainable in its current form.

The Commonwealth Government is committed to introducing a new scheme in 2017 which is robust, sustainable and high quality.

This discussion paper details a range of issues with the current VET FEE-HELP scheme and outlines options to address these as part of the 2017 redesign.

It has been informed by consultation forums with VET FEE-HELP providers in early April 2016. The Commonwealth is keen to engage with all stakeholders including providers, students, industry, employers and other interested parties through this paper and welcomes all feedback on the future design and operation of the VET FEE-HELP scheme.

Details of how to provide a submission in response to this discussion paper are outlined in the final section of the paper.

The VET FEE-HELP scheme

Key Points:

- VET FEE-HELP is part of HELP.
- VET FEE-HELP provides income contingent loans to help students pay tuition fees for higher level VET qualifications.
- VET FEE-HELP commenced in 2009.

What is VET FEE-HELP?

VET FEE-HELP is an income contingent loan (ICL) scheme, and forms one part of the Higher Education Loan Program (HELP). Under HELP, Australian citizens, permanent humanitarian visa holders, some New Zealand citizens (subject to eligibility) and students can access Government loans to assist them in paying for their tuition fees, overseas study expenses, student services and amenities fees, providing they meet all the eligibility requirements. The other parts of HELP are:

- HECS-HELP – Assists eligible Commonwealth-supported students to pay their student contribution amounts. Before 2005, known as HECS.
- FEE-HELP – Assists domestic fee-paying students to pay their tuition fees. These students are usually studying through private providers or undertaking postgraduate courses for which there is no Commonwealth-supported place.
- OS-HELP – Assists eligible Commonwealth-supported students undertaking part of their studies overseas. An OS-HELP loan can be used for airfares, accommodation and other costs of overseas study.
- SA-HELP – Assists eligible students to pay for all or part of their student services and amenities fee.¹

To be eligible for VET FEE-HELP, a student must be studying in an approved higher level VET qualification and be either an Australian citizen, an eligible New Zealand citizen or a permanent humanitarian visa holder who is resident in Australia for the duration of the unit of study. Eligible students can take out a VET FEE-HELP loan to cover all or part of their tuition fees. When students take out a VET FEE-HELP loan, the Commonwealth pays the loan, as the student's tuition fee, directly to the approved RTO. Students repay the loan gradually through the Australian tax system once their income is above the compulsory repayment threshold set by the Australian Taxation Office. The minimum repayment threshold currently commences at \$54,216 (2015-16 rates) with a base repayment rate of four per cent of assessed taxable income.

¹ *Higher Education Loan Program (HELP): a quick guide*, APH, 2014.

Conception and implementation – 2007 to 2009

VET FEE-HELP was introduced into Parliament in 2007 by the then Coalition Government as an amendment to the *Higher Education Support Act 2003* (HESA). The scheme was then introduced in 2008, with students accessing it from 2009.

An ICL arrangement for VET was supported because, like higher education, it was considered there were private rates of return to VET that support fees and underpin the provision of ICLs to ensure access. The aim of the scheme was to remove the financial barrier associated with these upfront fees. While private returns were found to occur at Certificate III level qualifications, it was determined to limit the scheme to diplomas and advanced diplomas as:

- building on the higher education model would be administratively easier
- it would ensure sectoral consistency in these courses between universities and RTOs
- it would address future skills needs in professional and associate professional occupations
- it would raise the status of VET.²

Importantly, however, in this first incarnation of the scheme, VET FEE-HELP would only extend to courses for which credit may be transferred to a higher education award, with a secondary but important objective to support pathways into higher education.³

This restriction, which in hindsight would be seen as a significant protection for students and the Commonwealth, was not supported by all stakeholders at the time. Some considered the pathway requirement was inequitable and served as a barrier to participation in fields of study with a clear pathway to employment and where articulation to higher education was not necessary.⁴

The Hon Andrew Robb MP, then Minister for Vocational and Further Education, Second Reading Speech, 2007:

This initiative will assist students who wish to pursue higher level VET qualifications. Many students are attracted to VET because of the specialist skills they learn while studying, but the high up-front fees acts as a deterrent. Presently, these students cannot access student loan arrangements and are forced to pay their fees up front or pursue an alternative university qualification if they need loan assistance.

² Bills Digest no. 11, 2007-08 - Higher Education Support Amendment (Extending Fee-Help for VET Diploma and VET Advanced Diploma Courses) Bill 2007.

³ Regulation Impact Statement, VET FEE-HELP Redesign 2012.

⁴ *Post Implementation Review of VET FEE-HELP Assistance Scheme*, Final Report, September 2011.

The 2012 VET FEE-HELP expansion

Key Points:

- VET FEE-HELP was reviewed in 2012.
- Following the signing of a National Partnership Agreement in 2012, credit transfer arrangements were lifted.
- Removing credit transfer arrangements exposed weaknesses in the scheme.

Features of the expansion

In 2008, the then Labor Government announced its intention to support state and territory governments to reform their VET sectors using VET FEE-HELP as an incentive.

On 17 February 2009, then Prime Minister Kevin Rudd requested the then Department of Education Employment and Workplace Relations undertake a post implementation review (PIR) of the VET FEE-HELP scheme. The PIR was conducted in 2011 and released in June 2012. It made a number of recommendations to simplify, streamline and, most notably, expand the scheme.

The main recommendation was to ‘remove the requirement for RTOs to have credit transfer arrangements (CTA) in place with higher education providers to become an approved provider’. The PIR argued that the CTA were inequitable for niche RTOs and students undertaking VET qualifications that do not lead to higher education qualifications. It also found that the administrative burden of establishing and maintaining these credit transfer arrangements was a barrier to entry for training providers. The PIR also found that the take up rate of the scheme was low, and recommended a series of promotional activities to raise awareness of the scheme.⁵

In July 2009, amendments to the guidelines extended VET FEE-HELP to courses which were partially government subsidised so long as the VET provider was in a *reform* state or territory. A designated *reform* state was one which agreed to open its VET funding to all training organisations registered within that jurisdiction.⁶ At this time, the only eligible *reform* state was Victoria, which had introduced market reforms of its VET system in 2008.

All other states subsequently agreed to this through the signing of the *National Partnership Agreement on Skills Reform* in 2012. VET FEE-HELP was an important component of the National Partnership. The Commonwealth Government agreed to remove the requirement for a link to higher education, while jurisdictions, in order to be classified as *reform* states, agreed to open up their training markets.

⁵ Regulation Impact Statement, VET FEE-HELP Redesign 2012.

⁶ *VET Provider Guidelines, July, 2009.*

In this regard, the National Partnership and VET FEE-HELP were the levers used by the Commonwealth Government to enact greater competition, contestability, and student and employer choice in the VET sector.⁷ From 1 January 2013 the CTA requirement was removed.

Extract from the 2012 National Partnership Agreement on Skills Reform:

The Commonwealth will remove credit transfer requirements relating to all diploma and advanced diploma courses both subsidised and full fee paying.

Design flaws

The reforms of VET FEE-HELP introduced in 2012 led to a number of benefits: competition, contestability and growth drive consumer choice, efficiency in training delivery, and agility to respond to changing consumer and economic needs. By allowing a range of training providers – public, private and not for profit – to compete for students, the reforms have also increased the diversity of providers.

However, the 2012 reforms also exposed weaknesses in the scheme, particularly limitations around applying a higher education model (including a compliance and regulation system designed for universities) to VET.

There are some similarities between higher education (and FEE-HELP) and higher level VET qualifications (and VET FEE-HELP).

For example, completing part of a qualification from either sector provides the individual with a private and personal benefit, even if there is also a limited public benefit through, for example, the provision of required skills currently in shortage. Diploma and advanced diploma courses from both sectors have longer durations and, while diplomas tend to be more vocational, both are grounded in educational content. Further, there is sectoral overlap: universities deliver diplomas and diplomas can act as pathways into university.

However, there are key differences:

- Lower barriers to entry
- Diploma graduate earnings tend to be lower than higher education graduates.⁸ This means that VET graduates are less likely to repay ICLs than degree qualified graduates
- VET courses are competency based, unlike higher education courses which are subject based. This means that diplomas are not subject to *grades* – a student is assessed as competent or not
- VET courses commonly have rolling commencement dates, unlike fixed semesters in higher education. This means that higher education administration concepts like *census dates* have less applicability to VET

⁷http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Education_and_Employment/VET_FEE_HELP_Reform/Report/c01

⁸ *HELP for the future: fairer repayment of student debt*, Grattan Institute, 2016.

- Some students enrol in a VET course with the intention of only taking a small number of competencies, whereas most students enrol in degrees intending to complete the entire course. This means quality indicators such as course completion rates are more contested by some stakeholders in VET.

These differences meant transposing FEE-HELP onto VET, without taking into account the differences in the sectors, was a key cause of the future problems with VET FEE-HELP.

There are also significant features in the higher education market that are different to the VET market, ranging from the nature and regulation of institutions to the relative stability and growth rates, amongst others.

Limited regulatory powers

Key Points:

Prior to 1 January 2016 the following key limitations of the department's powers existed:

- significant non-compliance by a provider with the HESA and the VET Guidelines does not necessarily undermine a provider's right to payment
- the audit and information gathering powers were weak and did not enable the department to search and seize documents, and image computer systems
- limited capacity for the department to take compliance action against a provider who has been cancelled as an RTO by ASQA, and who has sought review of that decision.

The Department of Education and Training currently has the power to take a range of compliance actions against providers, including: issuing notices to require the provision of information, conducting audits, imposing conditions on a provider's approval, suspending or revoking a provider's approval, determining the timing and manner of payments, and issuing infringement notices.

However a key limitation of the compliance powers within HESA is that a provider's non-compliance with the HESA and the Guidelines is not relevant when determining the quantum of payments to be made to a provider.

Rather, until changes took effect on 1 January 2016, the only relevant consideration for determining a provider's payments was whether or not the provider's students had an entitlement to VET FEE-HELP assistance. If a provider's student was entitled to a loan, the provider had a right to payment with respect to that student.

Prior to 1 January 2016, a student's entitlement to VET FEE-HELP assistance simply required the student to meet the various criteria set out in clause 43 of the HESA, including:

- meet certain citizenship or residency requirements
- hold a relevant tax file number
- was enrolled in a relevant course. In this context, enrolled is defined in the Dictionary section of the Act to include 'undertaking the VET course of study'
- was enrolled in the unit on the census date
- had completed a request for VET FEE-HELP assistance form.

These criteria do not relate to the conduct of the provider who offers the course to the student.

Once a student is entitled to VET FEE-HELP assistance and is a genuine student, clause 55 of Schedule 1A to the Act requires payment to the provider to be made, regardless of whether the Department holds compliance concerns about the provider.

Following changes introduced by then Minister Luke Hartsuyker in December 2015, on 1 January 2016, the HESA was amended, by inserting new clause 46A. This provision requires the Secretary to re-credit a person's FEE-HELP balance if the Secretary is satisfied that a provider engaged in unacceptable conduct, including offering prohibited inducements, failing to provide relevant information about a course, engaging in prohibited marketing techniques, etc. This provision cannot apply retrospectively, but will link payments to certain compliance conduct going forward, including as it relates to reconciliation of payments for the 2016 calendar year.

Key trends since 2012 expansion

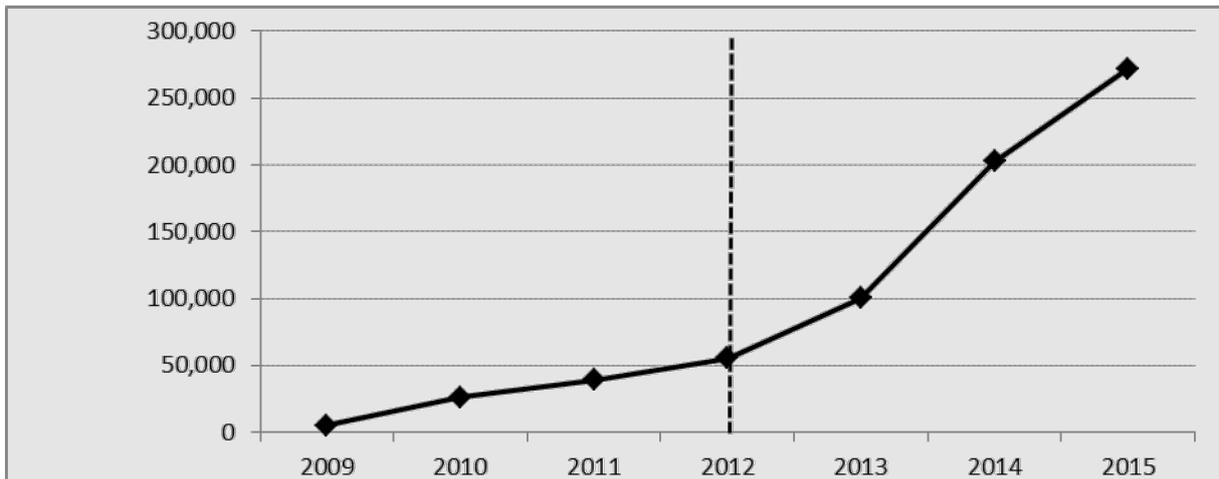
Rapid growth in student participation

Key Points:

- There has been substantial growth in the number of students accessing VET FEE-HELP since it commenced, from 5,262 in 2009 to around 272,000 in 2015.
- Student take up increased particularly rapidly following the 2012 expansion, from around 55,000 in 2012 to more than 272,000 in 2015.

The number of students accessing the VET FEE-HELP scheme has increased more than 50-fold since its establishment, from 5,262 in 2009 to around 272,000 in 2015 (Figure 1).

Figure 1: Students accessing VET FEE-HELP since inception



Source: VET FEE-HELP data collection

Note: 2015 data is unverified, extracted on 3 April 2016

While data indicates significant growth in VET FEE-HELP take up across all student cohorts, the growth in disadvantaged students is markedly higher compared to non-disadvantaged students. In itself, this is one of the objectives of the scheme. However, as outlined below, it has been accompanied by poor outcomes in some aspects. One explanation for this is the proliferation of unethical actions by a small number of providers offering inducements such as iPads, cash and vouchers to prospective students to enrol in a course and request VET FEE-HELP. These behaviours specifically targeted vulnerable people through cold calling or door knocking neighbourhoods of low socio-economic status. Those targeted are signed up to a course which they may not have the academic capability to complete and may not understand the loan must be repaid.

Table 1: VET FEE-HELP enrolments by student characteristics

Characteristic	2012	2015	Average Annual Growth (%)
With disability	3,207	20,638	181
Without disability	51,009	251,347	131
Indigenous	1,197	24,513	649
Non-Indigenous	51,276	242,919	125
Very remote	96	1,544	503
Major cities	43,606	188,145	110
Quintile 1 (Low SES)	12,014	74,049	172
Quintile 5 (High SES)	9,164	36,138	98
All students	54,216	271,985	134

Source: VET FEE-HELP data collection

Note: 2015 data is unverified, extracted on 3 April 2016.

Rapid growth in cost to taxpayer

Key Points:

- The annual cost of the wider HELP program (including higher education) is projected to reach \$11.1 billion in 2025-26.
- Public borrowing for VET FEE-HELP has increased from \$26 million in 2009 to over \$2.9 billion in 2015.
- A large proportion of VET FEE-HELP loans are not expected to be repaid.

Figure 2 shows the dramatic increase in VET FEE-HELP loans from \$26 million in 2009 to over \$2.9 billion in 2015. Again, the figures illustrate that the changes in 2012 have led to an enormous increase in the scheme, with loans issued growing from \$325 million in 2012 to \$2.9 billion in 2015.

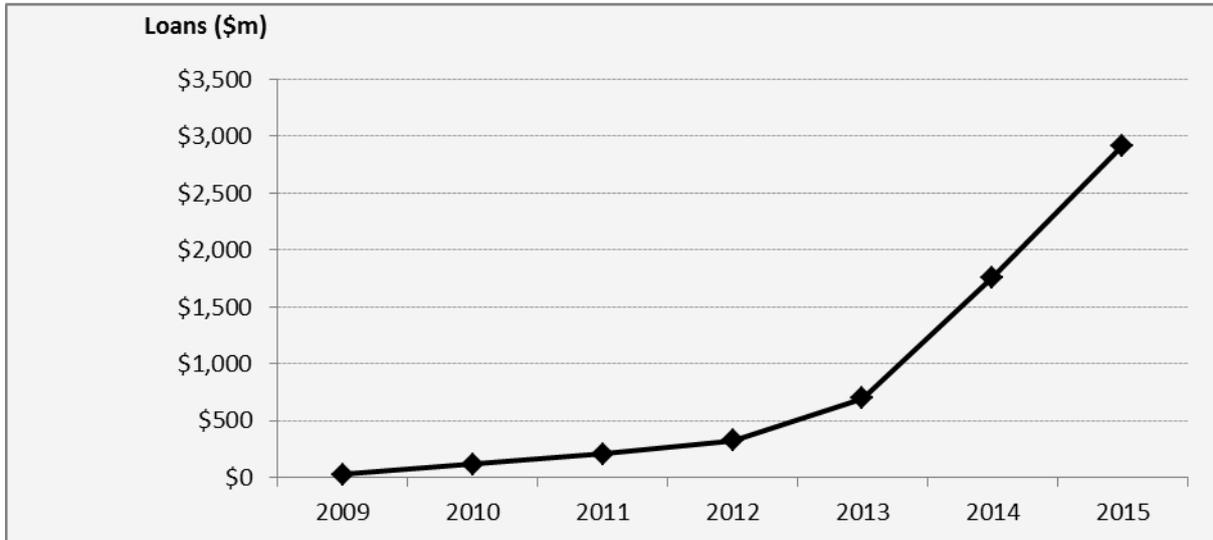
Ten year projections from the Parliamentary Budget Office (PBO) predict the annual cost of HELP loans on an underlying cash basis will rise to \$11.1 billion in 2025-26.⁹ The introduction of VET FEE-HELP accounts for 35 per cent (\$3.3 billion) of the projected growth in the annual cost of HELP over the period 2015-16 to 2025-26.¹⁰ This largely reflects the significant growth in the number of students taking out VET FEE-HELP loans from 2009 to 2015, and assumes that the Commonwealth's measures to constrain growth in the number of VET FEE-HELP loans continue.¹¹

⁹ Higher Education Loan Programme, Impact on the Budget, Parliamentary Budget Office, Report No. 02/2016.

¹⁰ Higher Education Loan Programme — supplementary analysis, Report No. 02/2016.

¹¹ Higher Education Loan Programme — supplementary analysis, Report No. 02/2016.

Figure 2: VET FEE-HELP loan value since inception



Source: VET FEE-HELP data collection

Note: 2015 data is unverified, extracted on 3 April 2016

While an inherent part of an income contingent loan scheme, debt not expected to be repaid is a major driver of costs for the scheme. Research by the Grattan Institute estimates that of the \$7.8 billion in Commonwealth loans lent to students through HELP in 2014-15; 20 per cent, or \$1.6 billion will not be repaid.¹²

Evidence indicates VET students have lower post-completion incomes than higher education students.¹³ It has also been suggested that the persistently low completion rates among VET FEE-HELP students contributes to their reduced earnings potential and therefore ability to repay loans.

Rapid growth in costs to students

Key Points:

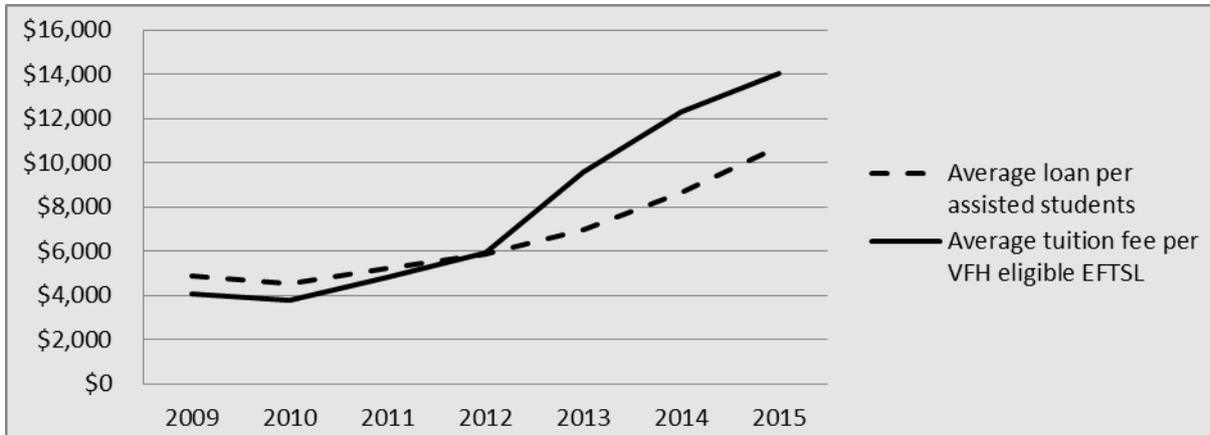
- Course costs and total student loan amounts have increased rapidly since 2012.
- The cost of courses with access to VET FEE-HELP often does not reflect the true cost of delivery.
- A large proportion of VET FEE-HELP loans are provided for courses that have no links to industry needs or specific employment outcomes for students.

The cost of courses has increased as a consequence of VET FEE-HELP, which has directly resulted in higher debts for many students. Course tuition fees have increased from an average of \$4,060 in 2009 to \$14,018 in 2015 and average loans per student have more than doubled from \$4,861 in 2009 to \$10,739 in 2015. Most of this growth has occurred since 2012. For example, average tuition fees grew from \$5,917 in 2012 to \$14,018 in 2015 (Figure 3).

¹² *HELP for the future: fairer repayment of student debt*, Grattan Institute, 2016.

¹³ *HELP for the future: fairer repayment of student debt*, Grattan Institute, 2016.

Figure 3: Average VET FEE-HELP tuition fees per EFTSL and average VET FEE-HELP loan values per student, 2009-2015



Source: VET FEE-HELP data collection

Note: 2015 data is unverified, extracted on 3 April 2016

A key policy tension is that by avoiding the need for upfront costs, which is critical to ensuring access and affordability, the loan scheme also dulls price signals for students. Indeed, the avoidance of upfront costs appears to have led to some students perceiving the courses to be free, and likewise some providers have promoted the courses as free. The result of this is that the cost of courses with access to VET FEE-HELP now bears little relationship to the true (efficient) cost of delivery.

It is also not uncommon to observe significant differences in course prices for students accessing VET FEE-HELP compared to those accessing a state and territory government subsidised programme for the same qualification. The qualification prices set by the NSW Government under the Smart and Skilled initiative provides a stark example. In 2013, the NSW Government commissioned the Independent Pricing and Regulatory Tribunal (IPART) to conduct a review of price and fee arrangements for government-funded VET. IPART was asked to provide advice and design a methodology to determine price and fee arrangements for government-funded vocational education and training. The IPART model methodology determines a base price, includes loadings to account for higher cost learners, and includes community service obligations payments to account for other student related costs and additional costs of providing training in thin markets.

Table 2: Average VET FEE-HELP tuition fees vs. qualification price set under NSW Smart and Skilled

Course	Average tuition fee per full time VFH student	NSW Smart and Skilled Qualification Price
Diploma of Salon Management	\$32,941	\$6,330
Diploma of Project Management	\$29,065	\$6,490
Diploma of Marketing	\$28,596	\$5,800
Diploma of Events	\$14,567	\$8,980
Diploma of Accounting	\$13,659	\$6,570

Sources: VET FEE-HELP data collection; <https://smartandskilled.nsw.gov.au/for-training-providers/prices-fees-loadings>

Note: 2015 data is unverified, extracted on 3 April 2016

These differences reflect a substantial market failure, that providers are able to extract margins that are substantially higher, likely due to a serious information asymmetry, and particularly poor consumer information or access to it.

While course costs have increased for all students as a consequence of VET FEE-HELP, disadvantaged students accrue higher fees/debts on average compared to their non-disadvantaged counterparts, particularly Indigenous and low socio-economic status students (see Table 3). For example, in 2015 the average annual tuition fee for Indigenous students was \$19,977 compared to only \$14,328 for non-Indigenous students (a difference of \$5,649 per year). Similarly, in 2015 the average annual tuition fee for low socio-economic status students was \$16,193 compared to only \$12,835 for high socio-economic status students (a difference of \$3,358 per year).

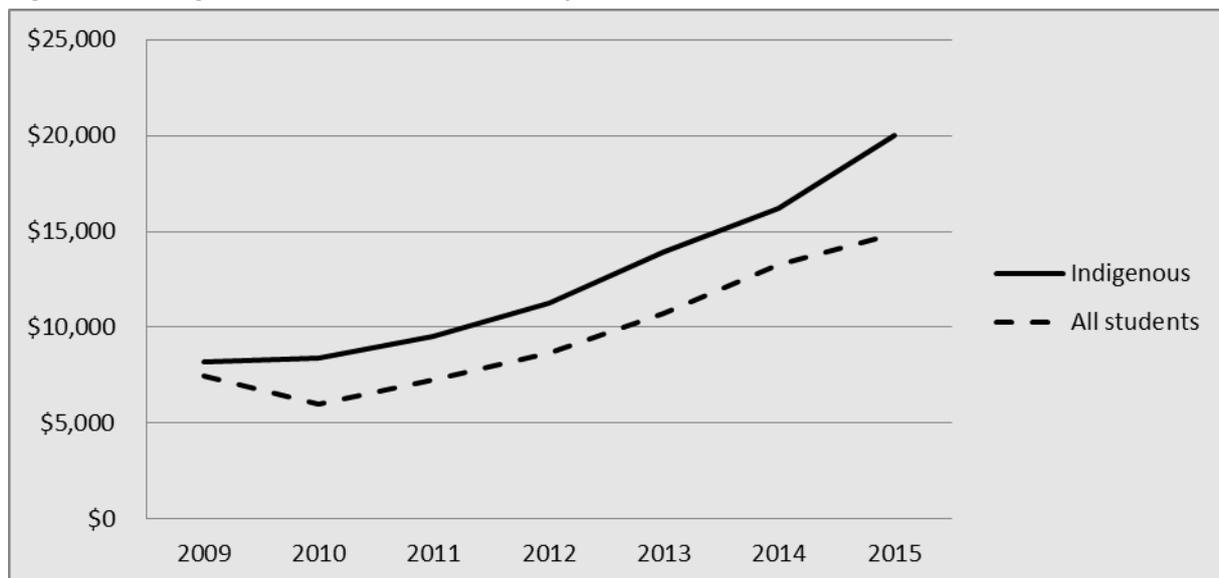
Table 3: 2015 VET FEE-HELP mean tuition fee by student characteristics and mode of delivery

Characteristic	Face-to-face	Online	Mixed-mode	Mean annual tuition fee
Indigenous	\$20,448	\$19,875	\$18,007	\$19,977
Non-Indigenous	\$12,972	\$16,515	\$12,042	\$14,328
Quintile 1 (low SES)	\$15,153	\$18,127	\$12,970	\$16,193
Quintile 5 (high SES)	\$11,555	\$15,114	\$11,151	\$12,835

Source: VET FEE-HELP data collection

Note: 2015 data is unverified, extracted on 3 April 2016

Figure 4: Average VET FEE-HELP tuition fees by student characteristics, 2009 to 2015



Source: VET FEE-HELP data collection

Note: 2015 data is unverified, extracted on 3 April 2016

These figures are extremely troubling, both for their impact on disadvantaged Australians and the unavoidable conclusion that this program has seen them taken advantage of by unscrupulous and unethical practices. Ensuring this is addressed must be a high priority in the redesign of the scheme.

Course and skill prioritisation

Key Points:

- Currently all diploma level and above VET qualifications are eligible for VET FEE-HELP.
- Some VET FEE-HELP loans are paid for courses that have no links to industry needs or skill shortages.

In addition to experiencing rising and inefficient course costs, the scheme currently has no parameters on the types of courses eligible for VET FEE-HELP loans or whether they align to industry needs and employment outcomes for students. For example, in 2015 \$3.0 million of loans went towards the Diploma of Life Coaching qualification, \$3.5 million towards the Advanced Diploma of Western Herbal Medicine qualification and \$3.2 million towards an Advanced Diploma of Transpersonal Art Therapy, none of which are on any current state or territory subsidy list.¹⁴ Recognising these issues, stakeholders have queried the suitability of allowing students to access public funding to undertake training in courses that lead to a largely personal and private benefit rather than courses that contribute to the broader Australian economy in areas of growth and skill shortages.

Concerns about quality

Key Points:

- High student attrition and low completion rates are a common feature among VET FEE-HELP students.

The perceived and actual quality of VET training has been a perennial issue for the VET sector. Low levels of completion and high student attrition rates continue to characterise the sector, and are particularly evident in VET FEE-HELP. The two year course completion rate for courses commencing in 2010 and completing in 2011 was 24.7 per cent. As outlined in Table 4, in 2013 the course completion rate for VET FEE-HELP assisted students (commencing 2011) was 26.1 per cent, falling to 22 per cent in 2014.¹⁵ Course completion rates for Indigenous students were lower at 12.6 per cent and online courses the lowest at only seven per cent. By comparison, the estimated completion rate for VET FEE-HELP supported students commencing in 2013 and studying diploma level and above is 42.2 per cent.¹⁶

¹⁴ VET FEE-HELP data collection.

¹⁵ VET FEE-HELP data collection, Provider Tables, Table 10.

¹⁶ NCVET (2015), *Likelihood of completing a government funded VET program, 2009-2013*.

While these figures can partly be explained by the fact that some students are only seeking part qualifications or skill sets, any redesign of the scheme must address these low completion rates as a critical priority.

In particular, the lower completion rates of disadvantaged groups needs to be addressed as a priority in the redesign of the scheme.

Table 4: Course completion rates by various characteristics

Characteristics		2013 completions (%)	2014 completions (%)
Student characteristics	With disability	29.5	21.5
	Indigenous	17.0	12.6
	Quintile 1 (Low SES)	26.5	21.9
	Quintile 5 (High SES)	28.3	24.1
Course characteristics	Internal (face to face)	38.8	31.6
	External (online)	7.0	7.0
All students		26.1	22.0

Source: VET FEE-HELP data collection

Low course completion rates are also visible at the individual provider level. Table 5 shows the completion rates of five large providers (both public and private), and reveals in most cases, completions have been steadily declining since the programme commenced, with 2014 rates in single digits.

Table 5: Course completion rates by major provider (extract)

Provider	Cohort Completion Rates %			
	2011	2012	2013	2014
Provider A	35.4	23.3	10.2	3.2
Provider B	15.0	9.7	16.3	7.8
Provider C	3.1	13.0	14.3	2.1
Provider D	11.0	10.5	8.0	2.6
Provider E	-	-	2.6	1.3

Source: VET FEE-HELP data collection

Note: Lower completion rates for 2014 are likely to partly reflect the later cohort and reduced opportunity to complete as yet, particularly as many VET students undertake training part-time

There are a range of potential explanations for low course completions:

- The *design of the VET FEE-HELP scheme* provides no incentives for providers to improve, nor impose penalties or remove VET FEE-HELP access, to providers that have low course attendance or completion rates.
- *Inappropriate enrolment practices* where providers have enrolled students in courses they are unsuited to or for which they have no intention of undertaking the training (often the result of intentionally misleading marketing or the offer of inducements), sometimes without full knowledge of their loan repayment responsibilities.
- *Students enrolling in courses to acquire a specific set of skills or a partial qualification*. For example, a student enrolled in a Diploma of Hospitality may only wish to complete the core units of ‘roster staff’ and ‘enhance the customer service experience’ and therefore once those units have been completed they may disengage from the course.
- *Students often disengage from training without formally withdrawing*. When this occurs, the student is at risk of continually being re-enrolled into subsequent units of study and consequently continuing to incur debts for those units.
- *Students enrolling in courses to meet mutual obligation requirements associated with welfare support*. For example, income support payments such as Newstart Allowance, Youth Allowance and the Work for the Dole programme require recipients to apply for jobs, train or study to remain eligible for support. In these instances, people enrol in a VET course, through VET FEE-HELP, to meet their obligations while also incurring a debt for the loan.

Despite the rapid growth and persistently low completion rates, the scheme as originally implemented and prior to changes enacted in 2015, applied no payment conditionality on student engagement, progression and ultimately course completion. That is, providers are not required to monitor student engagement through measures such as attendance or regularly logging on for online courses, submission of assessments or participation in online group discussions. Once eligible and enrolled in a course, the Commonwealth is required to pay the loan amount to the provider regardless of whether the student is engaged and progressing in the study or not.

The existing operation of the scheme still does not address:

- the lack of incentive for providers to support students to improve their completion rates
- students that enrol in courses to partially complete the qualification
- providers that fail to provide adequate information on withdrawal procedures
- students that are engaged in a course but not progressing.

Financial incentives driving course delivery

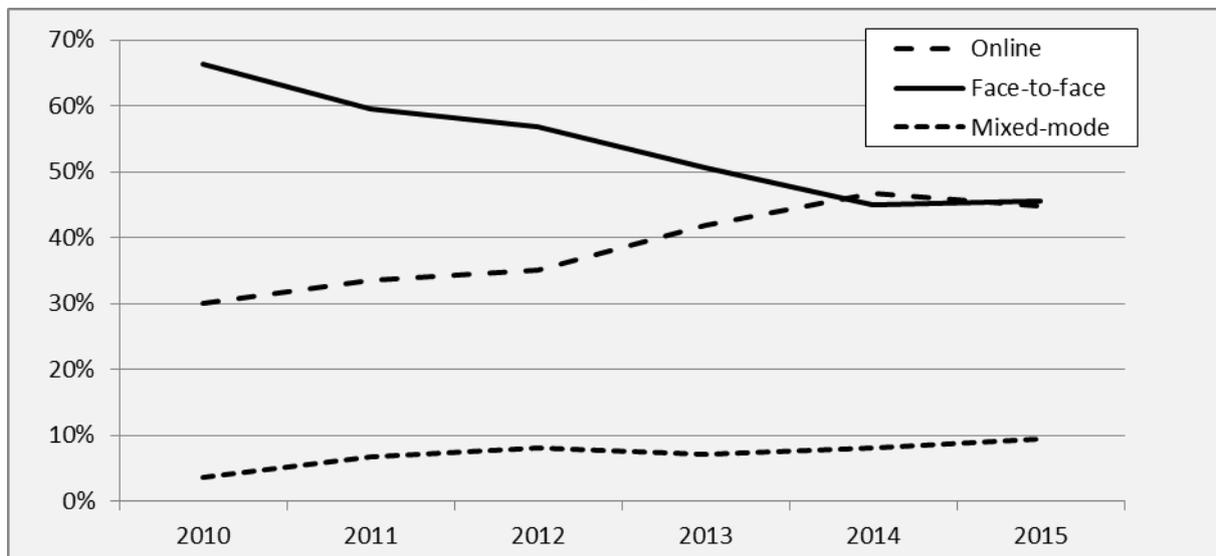
Key Points:

- Face-to-face training has decreased and online training has increased.
- A small number of courses make up a large proportion of VET FEE-HELP loans.

The Workplace Research Centre has noted that as a consequence of the introduction of VET FEE-HELP, there is a mismatch between training priorities and the profit drivers of some providers. That is, in some cases providers base their course offerings on ease of access to government funding rather than on training students in areas where skill shortages exist. This should not be unexpected given the financial incentives involved, and reflects a poor design of the program in failing to take these into account.

VET FEE-HELP can also incentivise providers to offer training which attracts the highest subsidy, benefit or profit, at the lowest cost. Low cost strategies include delivering training online which reduces costs associated with teaching staff, rent and equipment needed for certain courses.¹⁷ For example, Figure 5 reveals the proportion of training delivered online with access to VET FEE-HELP has steadily increased since the introduction of VET FEE-HELP while face-to-face delivery has shown a steady decrease.

Figure 5: VET FEE-HELP course enrolments percentage by mode of attendance, 2010-2015



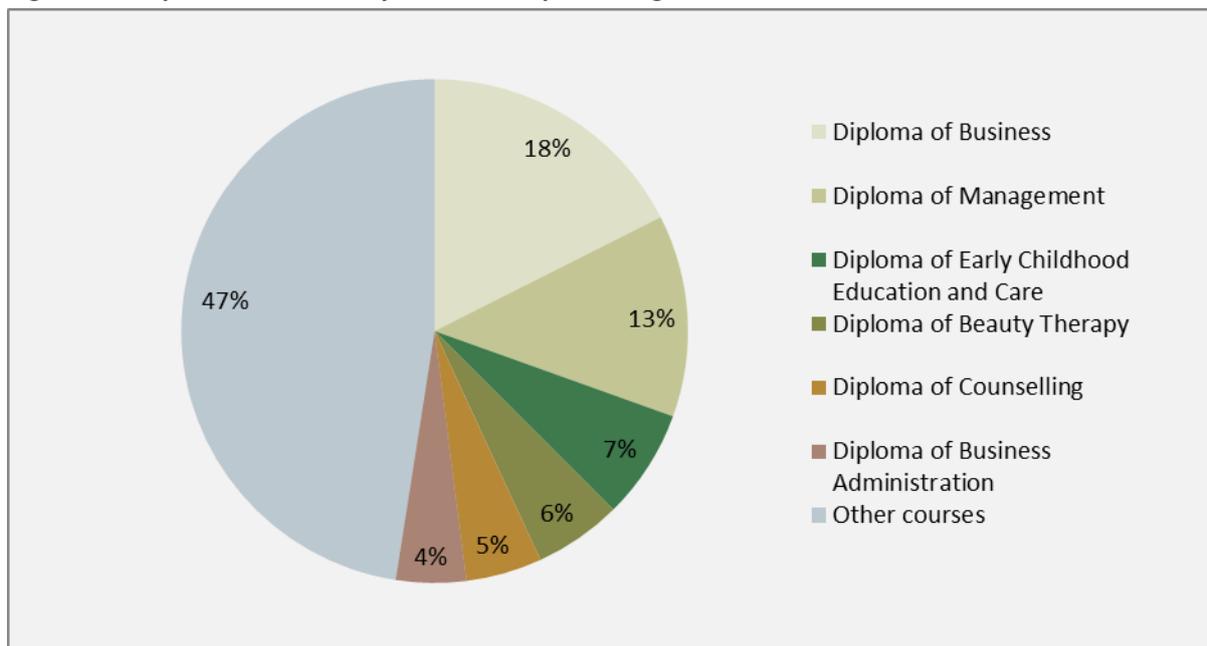
Source: VET FEE-HELP data collection

Note: 2015 data is unverified, extracted on 3 April 2016

Similarly, as shown in Figure 6, courses favoured by providers and agents for marketing purposes are predominantly in the fields of business and management, which can readily be delivered online and have no entry requirements. While these strategies do not always lead to adverse outcomes, concerns have been expressed that the needs of students and employers are not always the top priority for training providers. Also evident in Figures 6 and 7 is that only six courses account for over half of all VET FEE-HELP loans, and some of these courses (particularly Diplomas of Management and Business) grew at an unprecedented rate from the expansion of the programme in 2012.

¹⁷ Workplace Research Centre submission to the Education and Employment References Committee, *Getting our money's worth: the operation, regulation and funding of private vocational education and training (VET) providers in Australia*, pg17, October, 2015.

Figure 6: Proportion of loans by course as a percentage of total VET FEE-HELP loan amounts, 2015

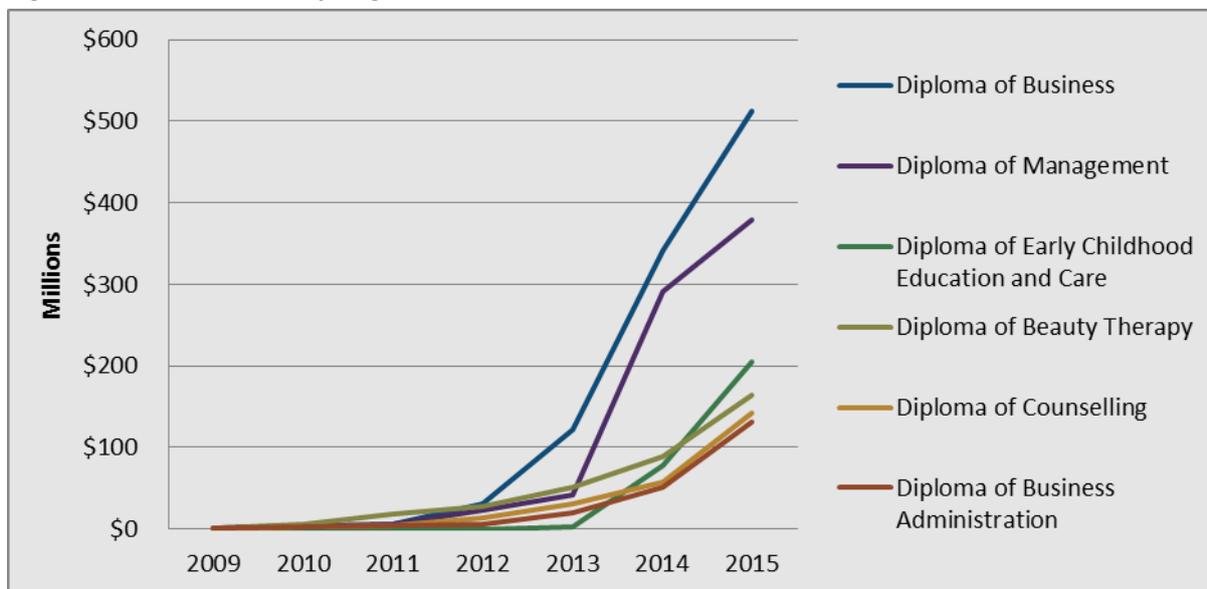


Source: VET FEE-HELP data collection

Note: 2015 data is unverified, extracted on 3 April 2016

Figure 7 illustrates the unprecedented and unforeseen growth in some courses since the 2012 expansion.

Figure 7: Value of loans by largest six courses, 2009-2015



Source: VET FEE-HELP data collection

Note: 2015 data is unverified, extracted on 3 April 2016

Unethical provider practices and the role of brokers and agents

Key Points:

- The scheme has seen a proliferation of unethical actions by a small number of providers offering items such as iPads, cash and vouchers to prospective students as inducements to enrol in a course and request VET FEE-HELP.

As outlined in the *Regulation Impact Statement, Changes to the VET FEE-HELP Scheme August 2015*, an essential challenge to the scheme has been dealing with uninformed, poorly informed or misinformed consumers who may not understand their options or the implication of these options.¹⁸ Critical to understanding this is the scale and breadth of unethical practices undertaken by some providers and brokers employed to attract and enrol students.

Again, these practices and activities primarily date from the 2012 expansion of the scheme, which lacked provisions to protect students or direct authority for the Department to act against providers in such cases. The financial rewards for signing students up, combined with the lack of controls on costs as outlined previously, provided incentives for very poor behaviour.

The use of aggressive marketing practices has seen students enrolling in courses they may not need or be capable of successfully completing. These students are sometimes misled by the information provided, intentionally or through poor practice, not provided with correct information regarding the cost of tuition for the VET course, or their rights and obligations under the scheme. Some VET providers have facilitated persons to apply for VET FEE-HELP assistance prior to confirmation of enrolment or concurrent with the application to enrol. This practice, in conjunction with lack of accurate information on VET FEE-HELP, has led to people applying for VET FEE-HELP assistance without due consideration, consent or knowledge. As well as concerning behaviour directly by providers, there have been many complaints relating to the behaviour of providers' agents. The behaviour of unethical providers and brokers includes:

- targeting low socio-economic status and vulnerable people who may be susceptible to inducements, such as 'free' iPads, cash and vouchers, to enrol
- not informing the person that VET FEE-HELP is a loan that needs to be repaid once a person's income reaches a certain threshold
- advising people the course is free
- advising people they probably never have to repay the loan as they are unlikely to reach the repayment threshold
- telling people they (the brokers) are representing the government
- enrolling vulnerable people in multiple courses at multiple providers (with or without the students' knowledge or complete understanding)

¹⁸ *Regulation Impact Statement, Changes to the VET FEE-HELP Scheme August 2015*.

- enrolling people close to the census date without adequate time, or capacity, for them to consider their study or payment options and the consequent impacts of the substantial debt to the Commonwealth
- enrolling people for online courses who are not computer literate or do not own a computer or do not have internet access
- creating barriers to withdrawal prior to the census date.

As a result of these activities, some people have been making impulsive decisions to enrol in a course without adequate and accurate information about their obligations regarding VET FEE-HELP, or adequate and accurate understanding of the commitment involved to move through the course to successful completion of the qualification.

These practices have been addressed by changes in 2015 through the introduction of stronger rules for marketing and recruitment of students. This included making it against the rules to offer laptops or cash as incentives to sign up to courses and requiring brokers and providers to publish accurate information about VET FEE-HELP. These changes have helped to ensure that students are protected from signing up to courses and incurring debts that they do not want or need.

Qualification creep

Key Points:

- Some providers have embedded lower level qualifications into courses at the diploma and above level as a strategy to attract VET FEE-HELP.

Since VET FEE-HELP the scheme commenced, anecdotal evidence indicates some providers have embedded lower level qualifications into courses at diploma level (and higher), in a practice known as *qualification creep*. For example, a Certificate IV in Visual Arts may be embedded within a Diploma of Visual Arts.

In reality, this allows students to access VET FEE-HELP to undertake lower level qualifications. In order to do this, the student initially enrolls in the diploma-level course in order to access VET FEE-HELP. However, once the student has completed enough of their studies to be awarded a lower level qualification, such as a certificate IV, they withdraw from undertaking the additional study which would have seen them awarded a diploma (or higher) level qualification. This practice allows students to access the VET FEE-HELP scheme for lower level qualifications which are not eligible for VET FEE-HELP loans.

Evidence of embedding has been largely anecdotal, although a 2014 audit revealed that some students have enrolled in diploma level courses with the intention of exiting as soon as they can be awarded a lower level qualification, usually on the advice of the provider. The extent of this type of practice is not known. It is particularly complex to track due to the requirements of what can be included in VET units of study, including the HESA requirements, qualification packaging rules

defined in training packages (endorsed by industry skills councils), or packaging rules for VET accredited courses (accredited by ASQA or a state or territory body).

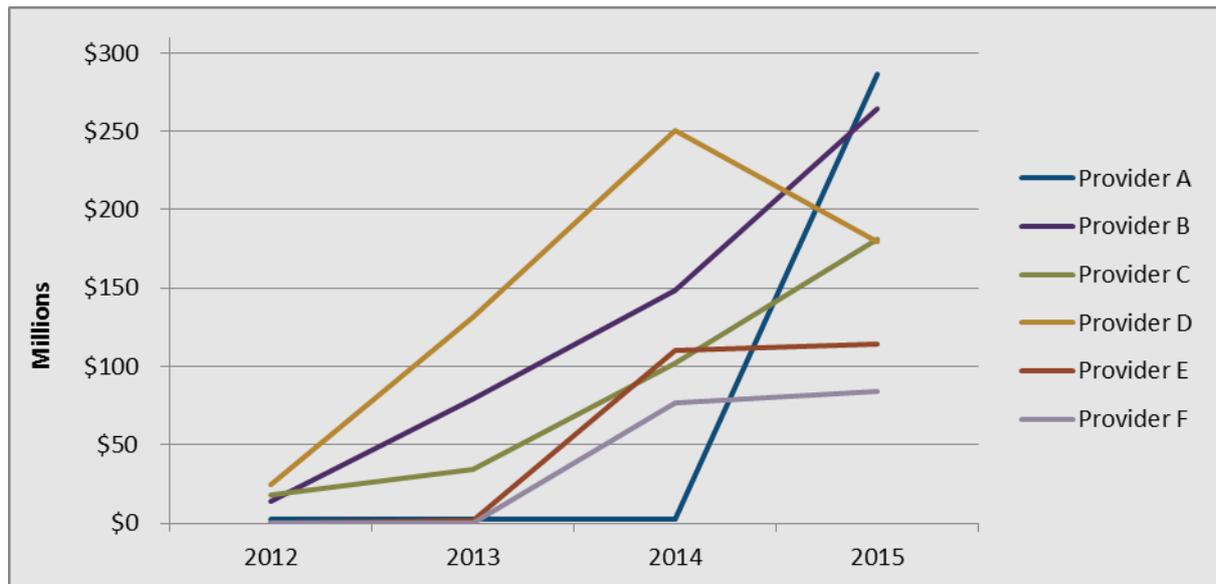
In addition, there can be benefits to embedding some courses within others. For example, training packages often embed core competencies from lower level qualifications into the requirements to obtain the higher level qualification. This allows articulation of the complete range of skills required to achieve that qualification.

Dominance of VET FEE-HELP by small number of providers

A small number of VET FEE-HELP providers dominate the scheme. In 2015, ten providers accounted for more than half of all VET FEE-HELP loans.

As shown in Figure 8, there has been rapid growth in the VET FEE-HELP loans paid to or *claimed*¹⁹ by some providers. For example, Provider D loans quickly grew from around \$25 million in 2012 to around \$250 million in 2014, but then decreased rapidly in 2015 to roughly \$179 million (based on data received).

Figure 8: VET FEE-HELP loans paid to or claimed by selected large public and private providers, 2012-2015



Source: VET FEE-HELP data collection

Note: 2015 data is unverified, extracted on 3 April 2016

¹⁹ Refers to data uploaded to the Department of Education and Training for 2015.

Access by public providers and changes to state funding in other training options

Key Points:

- State and territory governments have reduced their support for higher level VET qualifications since the establishment of VET FEE-HELP.
- This reflects cost shifting from the states to the Commonwealth.
- TAFEs have been substantial users of VET FEE-HELP.

Since 2012, states and territories have reduced subsidies for higher level VET qualifications. The number of student enrolments in subsidised diploma or higher qualifications peaked in 2011 at 220,861, and declined by over 23 per cent (to 168,157) in 2014²⁰ in line with the removal of CTAs and the introduction of the National Partnership Agreement for Skills Reform. In effect, this is a form of cost-shifting from the states to the Commonwealth.

Table 6: Subsidised enrolments, 2010-2015

Qualification	2010	2011	2012	2013	2014
Diploma or higher	196,767	220,861	219,541	181,281	168,157
Certificate I-IV	1,196,887	1,353,234	1,498,487	1,481,382	1,332,240
Non AQF qualification	222,252	201,549	168,273	150,047	126,010
Total	1,615,906	1,775,644	1,886,301	1,812,710	1,626,407

Analysis by Department of Education and Training derived from the VET Provider Collection 2015

Table 7: Subsidised enrolments, percentages, 2010-2015

Qualification	2010	2011	2012	2013	2014
Diploma or higher	12.2	12.4	11.6	10.0	10.3
Certificate I-IV	74.1	76.2	79.4	81.7	81.9
Non AQF qualification	13.8	11.4	8.9	8.3	7.7
Total	100.0	100.0	100.0	100.0	100.0

Analysis by Department of Education and Training derived from the VET Provider Collection 2015

In addition to reducing funding to diploma qualifications, states and territories have also recently introduced a number of other changes that in effect reduce the number of higher level subsidised students:

- *Limiting eligible courses*, for example Queensland has reduced number of diploma or higher qualifications subsidised following the deregulation of VET FEE-HELP.²¹

²⁰ These trends are broadly consistent across all jurisdictions.

²¹ Queensland VET Investment Plan.

- *Limiting concessions*, for example in NSW concession fees are not available for subsidised Diploma or higher qualifications.²²
- *Lower subsidy rates*, for example in Victoria qualifications that are funded at the lowest rates of subsidy (\$1 per hour) through the Victorian Training Guarantee are all diploma level qualifications.

TAFEs have also been users of VET FEE-HELP since the 2012 expansion, providing additional support to these public institutions and access for students using them.

Table 8: Loan amounts by provider type (millions \$)

Loan amount	2012	2013	2014	2015
Other public	15.5	32.3	36.8	50.1
Private	223.7	498.8	1,400.3	2,467.2
TAFE	85.4	168.1	320.2	403.4
Total	324.6	699.2	1,757.3	2,920.7

Source: VET FEE-HELP data collection

Note: 2015 data is unverified, extracted on 3 April 2016

²² Smart and Skilled explicitly links student access to VET FEE-HELP loans as the reason for this policy setting.

Actions undertaken since 2012

Key Points:

- Reforms were introduced throughout, taking effect in 2015 and 2016 to address major flaws in the VET FEE-HELP scheme.
- Initial reports indicate these changes are making a difference, but more needs to be done, including addressing weak regulatory powers.

2015 and 2016 reforms

In early 2015, it became apparent to the Commonwealth that based on 2014 data, the VET FEE-HELP scheme was experiencing unsustainable growth. Urgent action was required.

Senator the Hon Simon Birmingham, then Assistant Minister for Education and Training

1 January 2015:

Stories abound of people being stopped on the street and offered incentives including cash payments to sign-up for a course they don't need... Often prospective students aren't given the full story and sign-up to student loans worth thousands of dollars that need to be repaid later...The Government is taking firm action to crack down on unscrupulous and misleading behaviour by some training providers and brokers. This reflects cost shifting from the states to the Commonwealth.

Source: Media release – Senator the Hon Simon Birmingham, *Crack down on rogue training brokers*, 1 January 2015

During the course of 2015, the Commonwealth announced changes to the way the scheme is administered. Key reforms are detailed below; a complete list of the 2015 and 2016 reforms is at [Appendix 1](#).

From **1 April 2015**, inducements—such as cash, meals, prizes, vouchers or laptops—to encourage potential students to sign up for VET FEE-HELP loans were banned. Revised VET Guidelines came into effect from **1 July 2015** tightening VET marketing and recruitment practices. For example, training cannot be marketed as *free* or *government-funded*. Additionally, training providers will be required to have formal agreements in place with any education agent or broker they use.

From **1 January 2016**, HESA was amended and the new Higher Education Support (VET) Guidelines 2015 (the VET Guidelines) was introduced to further strengthen the scheme and constrain growth including:

- Capping the scheme – a key reform introduced is that providers will only be able to offer VET FEE-HELP loans up to the maximum of their 2015 loan amounts
- Protections for students
 - broadened circumstances for the remission of their VET FEE-HELP debt relating to inappropriate behaviour by a provider or its agent
 - a provider or its agents or associates must not promote VET FEE-HELP in any unsolicited contact or publish information that suggests VET FEE-HELP is not a loan, or does not need to be repaid
 - rigorous new entry requirements, including a Language, Literacy and Numeracy (LLN) test
 - additional protections for students under 18 years
 - strengthening tuition assurance requirements
 - stronger cooling off periods
 - providers must not charge a student the total course tuition fees in one up-front hit
 - students must incur a debt as they progress through a course over at least three fee periods.
- New eligibility requirements for providers
 - minimum five year trading history
 - trustees of a trust cannot be approved as a VET FEE-HELP provider
 - unsuccessful VET FEE-HELP applicants will not be able to re-apply for six months
 - applicants and providers will be required to provide audited general purpose financial statements for their most recently completed annual financial reporting period
 - financial statement audits must be conducted by a Registered Company Auditor and accountants responsible for the preparation of financial statements must meet the requirements of a qualified accountant as defined by the Corporations Act 2001
 - minimum available cash and cash equivalent asset levels
 - a requirement to generate a minimum of 20 per cent of total revenue through non-HELP sources.
- Pausing payments where there are concerns about performance
- Introduction of infringements or civil penalties apply where a provider breaches the requirements around marketing VET FEE-HELP including offering inducements, the provision of notices and invoices, enrolments, fees including fee periods and the charging of a fee for withdrawing from units or courses of study.

Further, in line with the reforms implemented in 2015 the Department of Education and Training strengthened the documentation it needs when agreeing to an advance payment determination or a variation to an original estimate. From September 2015, the Department also requires providers to supply updated evidence of satisfactory tuition assurance for the projected growth in student

numbers, evidence that the provider is adjusting its business model in line with the VET FEE-HELP reforms to prohibit incentives and unscrupulous marketing in addition to the standard evidence to support an advance payment such as student liability and course information.

Senator the Hon Simon Birmingham, Minister for Education and Training, on the reforms commencing 1 January 2016:

Our bill is necessary to address Labor's failure with regard to VET FEE-HELP and to put in place proper controls and safeguards that protect students, taxpayers and the reputation of the many quality vocational education and training providers. It is with profound disappointment that we find ourselves in this position today dealing with the mess that we have inherited as a government.

But it is with absolute determination that we seek to confront that mess, that we are seeking to limit the impact of the VET FEE-HELP scheme on students, taxpayers and the VET sector in the future and that we are committed to developing a new model that makes sure that the mistakes of the VET FEE-HELP scheme are learnt and are never repeated in the future.

Source: Higher Education Support Amendment (VET FEE-HELP Reform) Bill 2015 Second Reading Speech (Senate) 1 December 2015 p72

Are the reforms working?

Some measures introduced in 2015 and 2016 were difficult but necessary. The Government is aware that some of the reforms, such as capping the scheme to 2015 levels, have impacted upon the operations of some ethical and quality providers, while the three fee periods, the revenue requirements, and the LLN test have added administrative requirements. However, the Government believes that VET FEE-HELP should not be the foundation of a provider's business model.

These reforms address the most egregious issues with the scheme:

- clamping down on the conduct of brokers and agents (e.g. banning cold calling) protects students from unintentionally enrolling in courses and incurring large debts
- requiring tuition fees to be published better informs students of the likely debts
- new eligibility requirements for providers will ensure only high quality providers with a track record in VET delivery can access VET FEE-HELP
- a stronger compliance regime, with infringements or civil penalties, will ensure the Government can police poor provider behaviour where and when it is needed.

In September 2015 Ernst and Young (EY) were engaged to conduct a review of the impact of the reforms on VET provider behaviour. The sample included students, registered training organisations and brokers. The final report is due shortly.

Initial indications are that the reforms are making a difference. For example, the draft report found that:

- 63 per cent of surveyed providers stated they believed that they had improved the students' understanding of VET FEE-HELP and students' rights and obligations. Mechanisms described by RTOs included one-on-one interviews, providing information in student handbooks and emails.
- All surveyed RTOs that use brokers stated that they are aware that RTOs are accountable and responsible for the actions of their brokers, while 47 per cent stated that they no longer use brokers to attract VET FEE-HELP students.
- 90 per cent of surveyed providers either stated that they have implemented or have plans in place to allow students a two day cooling off period after enrolment to decide if the student would like a VET FEE-HELP loan.²³

However, EY found that there is more to be done:

- the report concludes that many RTOs interviewed stated that they still observe other RTOs breaching the rules
- students interviewed do not understand the withdrawal process, and they have stated that this process has not been explained to them by the RTO
- students have not been aware of course fees as they were either not explained at enrolment and/or students have not been provided with a fee breakdown.²⁴

As can be seen in Table 9, the complaints in relation to marketing of VET FEE-HELP have dropped markedly; a possible sign that the 2015 reforms are making a difference.

Debt disputes are partly a lagging indicator of past poor practices. An increase can be seen as a result of increased student awareness of their ability to contest charges, but also that working through the legacy of past practices will likely take some time.

Table 9: VET FEE-HELP complaints

Qualification	1 July 2015 to 31 Dec 2015	1 Jan 2016 to 31 Mar 2016
Debt Dispute	208	365
Embedding (e.g. Cert IV in a diploma)	2	0
Fees	6	0
Marketing	86	18
Other (miscellaneous matters)	56	32
Quality	29	11
Withdrawal	58	18
Total complaints for period	445	444

Source: VET FEE-HELP administrative data

²³ VET FEE – Help Reform, EY draft report.

²⁴ VET FEE – Help Reform, EY draft report.

The regulatory and compliance regime needs to be further strengthened

The 1 January 2016 amendments have improved the Department's capacity to take action against providers in a number of ways including:

- requiring the re-crediting of a student's FEE-HELP balance if the Secretary of the Department of Education and Training is satisfied that a provider engaged in unacceptable conduct (for example: offered prohibited inducements, inappropriate marketing practices)
- issuing infringement notices for certain prohibited conduct, including offering inappropriate inducements, engaging in prohibited marketing practices, failing to provide certain information to students and failing to report certain data to the Department
- enhancing the department's audit powers so that it enables the Department to investigate concerns around payment entitlements.

However, there continues to be serious limitations in the Department's compliance capabilities, including:

- significant non-compliance by a provider with the HESA and the VET Guidelines does not necessarily undermine a provider's right to payment
- audit and information gathering powers are currently weak and do not enable the Department to search and seize documents, and image computer systems. Rather, the powers principally rely on the cooperation of the VET provider. While following the 1 January 2016 amendments, the Department did receive some additional investigative powers in the context of enforcing the newly introduced civil penalty provisions, those provisions do not support the Department's broader compliance functions, including conducting audits with respect to a provider's payment entitlement
- there is limited capacity for the Department to take compliance action against a provider who has been cancelled as an RTO by ASQA. If an ASQA cancellation decision is subject to merits review, the Department is limited (in many cases) in its capacity to proceed with compliance action against a provider on the basis of ASQA's findings alone.

Some examples of the investigative actions that the Department of Education and Training has taken against providers to date include:

- revoking or suspending providers who have failed to comply with certain requirements within the HESA and the VET Guidelines (for example: the Department revoked the approval of Phoenix on 31 March 2016 for failure to comply with the requirement to hold tuition assurance, on the basis of findings of the quality regulator (ASQA) and because of evidence that Phoenix (and its brokers) had engaged in prohibited practices including offering prohibited inducements to encourage enrolments
- undertaking audits against a significant number of high risk providers to gather evidence about provider's payment entitlements
- issuing information requests on providers to obtain information about their tuition assurance status, and student enrolment numbers

- supporting the Australian Competition and Consumer Commission (ACCC) in actions brought against a number of providers for breaches of Australian Consumer Law
- undertaking data analysis with respect to providers' reported student enrolments
- following up complaints and undertaking independent investigations to gather evidence and statutory declarations which support allegations of conduct which is prohibited by the HESA and Australian Consumer Law
- undertaking investigations, including into allegations of fraud surrounding VET FEE-HELP funding by a provider, which resulted in the execution of search warrants with the assistance of the Australian Federal Police.

Options for change

Options for consideration have been grouped into three categories – protecting students, regulating providers and managing the system. As well as the obvious fact that no single measure will address all the issues outlined above, the interaction between these options and the incentives they provide also needs to be specifically considered.

Protecting students

Student eligibility to access a loan

To be eligible for a VET FEE-HELP loan a student must meet certain requirements under the HESA. On meeting these requirements, a student becomes entitled to access a VET FEE-HELP loan for any or all units contributing to their course. Students have until the end of each census date for each unit to access the loan. The amount of the loan in each case will be the amount of any tuition fees not paid upfront for the unit as at the census date.

Student entitlement requirements include:

- studying an approved higher level VET qualification at an approved provider
- meeting citizenship and residency requirements – that is, being either an Australian citizen, a New Zealand Special Category Visa holder or a permanent humanitarian visa holder who is a resident in Australia for the duration of the unit of study. This is an overarching requirement across all HELP schemes
- meeting entry requirements either through the provision of an Australian Senior Secondary Certificate of Education (year 12 certificate) or displaying a required benchmark competence following undertaking a Language Literacy and Numeracy assessment with their VET FEE-HELP provider
- submits the *Request for VET FEE-HELP loan* form to their provider by the census date, with certain requirements for students under 18 and a gap between enrolment and submission of the form.

Comment

The enrolment practices that have occurred under the operation of the scheme since the 2012 changes seem to require the maintenance of these new entry requirements, despite the additional administration involved. The Commonwealth is not inclined to remove them, but is open to consideration of additional measures to ensure students have the necessary capability to undertake the course.

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?

Lifetime loan limit for students

Currently, eligible students can borrow up to the FEE-HELP loan limit (the lifetime loan limit) to pay their tuition fees. For 2016, the limit is \$99,389 for most students.

The lifetime loan limit applies to FEE-HELP and VET FEE-HELP only and includes a loan fee. That is, a student can access part of their loan limit for higher education and part for VET, or they can access the complete loan limit for a single type of study. Regardless of how a student takes up their loan, the value is tallied and once the lifetime limit (which is indexed each year) is reached, nothing further will be loaned under FEE-HELP and VET FEE-HELP.

The growth in tuition fees and corresponding loans, together with the growth in the number of students enrolled in multiple courses has meant an increasing number of students are reaching the lifetime limit. In recognition of the high cost of VET FEE-HELP courses, often not reflective of their true cost of delivery, and low student completion rates; some stakeholders have suggested reducing and applying a discrete lifetime loan limit for VET FEE-HELP only.

While doing so will undeniably limit the size of VET FEE-HELP debts, it is debatable whether more appropriate options are available such as introducing a course progression or engagement component and addressing unethical course price structures. Arguably these approaches may be better aligned with the Commonwealth's commitment to ensuring Australians have access to lifelong learning and an opportunity to retrain or upskill at any time throughout their life.

Comment

A considerable number of stakeholders consider that the VET FEE-HELP loan limit should be lowered, to reduce the potential for students to accrue substantial debts and protect taxpayers from debts that will not be repaid. If imposed, a lower lifetime limit for VET FEE-HELP could be reviewed in a set period (e.g. five years) to assess its impact upon access and costs.

Source: Education and Employment References Committee, *Getting our money's worth: the operation, regulation and funding of vocational education and training (VET) providers in Australia*, October 2015

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?

Addressing course costs

As outlined in earlier sections, the cost of courses has increased as a direct consequence of the VET FEE-HELP changes introduced in 2012, which has resulted in higher debts for many students, and an increased burden on taxpayers. This is particularly evident for some disadvantaged groups such as Indigenous students.

A key policy tension is that by avoiding the need for upfront costs, which is critical to ensuring access and affordability, the loan scheme also dulls price signals for students. Indeed, the avoidance of upfront costs appears to have led to some students perceiving the courses to be free, and likewise some providers have inappropriately promoted the courses as free. The result of this is that the cost of courses with access to VET FEE-HELP now bears little relationship to the true (efficient) cost of delivery.

Comment

Addressing rising course costs is an important objective, both for students who bear the cost through the ICL, but also for taxpayers who carry the cost of funding the loan and loans not repaid. There are various options to consider to achieve this, outlined below.

Discussion questions:

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

Calculating 'reasonable costs' as a basis for regulating maximum fees

Recognising course costs are often unreflective of their true cost of delivery, it is reasonable to consider whether the Commonwealth should specify the maximum fees providers can charge for each VET FEE-HELP course or unit. The Commonwealth could set prices to align with the true cost of delivery. However, price setting requires a high level of government intervention in the market and assumes the Commonwealth has the capacity and capability to determine fees. Price setting also prevents providers from charging fees based on the cost of delivery and effectively eliminates price competition among providers. That is, providers would be expected to charge at the maximum fee

for all courses, including by inflating lower cost courses to the capped amount; this could drive out innovation and differentiation in the VET products that are offered.

Calculating ‘reasonable costs’ as a basis for maximum loan amounts

As distinct from setting or regulating fees, the Commonwealth could specify the maximum loan amounts available to students for each VET FEE-HELP course or unit. The Commonwealth could set maximum loan amounts to more closely align with the determined efficient of delivery. However, substantial resources, effort and analysis is required to make such assessments.

Such a mechanism could also align VET FEE-HELP assistance to skill shortages and industry needs; potentially setting different maximum values based on whether the course is in demand by employers and industry or not. This approach does not prevent providers from charging above the maximum loan value, it simply sets a ceiling on the maximum loan amount the Commonwealth is willing to provide a student for each course.

Comment

Since the 2012 expansion, and the related lack of regulatory powers provided to the Commonwealth, it has been demonstrated that providers respond rapidly to financial incentives. The implications of each of these approaches need to be considered in detail, particularly the incentives they create for providers, and how they incentivise student behaviour. Access for students is critical, but the recent growth in costs is unsustainable and clearly reflects some providers taking advantage of poor consumer information and a reduced price signal to inflate profit margins.

Furthermore, the rapid growth in the cost of the scheme is not sustainable. So directing resources to areas of national economic, employer and student need is worthy of consideration. This does not necessarily entail a limitation of the scheme to specific areas, but may be reflected in different rates of subsidy, as occurs at the state level for VET courses.

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?

Delivery mode

Online courses are typically less expensive to deliver than face to face courses.²⁵ If the Commonwealth went down a path of calculating a ‘reasonable cost’ of delivery, it is sensible to consider whether mode of delivery should be factored in as a component. This would mean courses delivered mostly or entirely online would have a lower maximum loan cap than courses delivered in the classroom. However, setting a lower course loan cap for online courses could act as a disincentive for innovative course delivery, and could potentially affect students in regional locations who are more reliant on online training.

Comment

It is particularly important that financial incentives are considered in this context. Just as a price regulatory mechanism that drives providers to online delivery purely as a profit maximisation tool would be inappropriate, so would a regime that prevented or acted as a disincentive to innovation in course delivery. Consideration of the costs of alternative modes of course delivery should be ‘mode neutral’ in order to ensure incentives are not skewed.

Discussion questions:

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

Improved information for consumers and the role of brokers and agents

Students experience substantial challenges accessing suitable information regarding the cost, quality and reputation of VET FEE-HELP providers, particularly when seeking to compare and differentiate between the various courses and charging models among different providers. This is compounded by the lack of easily comparable information about student outcomes regarding completions and employment outcomes. It is also clear that some students have not been sufficiently engaged in their commitment to research information available to inform their decision making.

While some information is available online regarding completion rates, tuition fees and other factors that are likely influence student choice (including through *MySkills* at www.myskills.gov.au), this data is spread across multiple websites and can be difficult to navigate. The lack of accessible information to support student choice reduces the incentive for providers to strive for, and increase, the quality of their performance. It also arguably provides an incentive for unethical practices as students can be more easily confused with marketing claims that are not easily verified or challenged.

With appropriate information at their disposal, students will be better able to make more informed decisions about the courses they undertake and providers they purchase from. They will have a better understanding of the risks and benefits of taking out a VET FEE-HELP loan, before they have

²⁵ *Online learning: Research readings*, NCVET.

incurred the debt from a provider. Providers will also be faced with a more informed consumer, empowered to more critically question their product descriptions and marketing assertions.

A range of adverse outcomes have clearly resulted from inappropriate marketing activities by brokers representing or purporting to represent providers. However, when used appropriately brokers and marketing agents can provide an effective response to information asymmetry. For example, they offer a physical point of contact for students to access information about the vocational education and training sector, including VET FEE-HELP, and the types of courses (and their expected employment outcomes) offered by different providers. This can be particularly important for students in regional areas, or with low literacy and numeracy skills.

It is therefore reasonable to consider whether there is a role for brokers, marketing agents or another person acting as an adviser, and how they should operate effectively in a redesigned VET FEE-HELP scheme.

One option is to simply prohibit brokers under a new scheme. This option may improve the integrity of the scheme, may help protect students and ensures student enrolments are the sole responsibility of providers.

Comment

It is important to again consider the incentives that regulation provides in this case. A ban on brokers would not necessarily stop the behaviour that has been of such legitimate concern, as directly employed recruitment agents would not necessarily be covered.

During recent consultation forums, there were strong, mixed opinions on the role and legitimacy of brokers. All agreed that the past behaviours needed to be stopped and that recent regulatory change had substantially achieved this.

However, smaller providers in particular were supportive of a role for agents to attract students in a crowded marketplace. Some put that properly regulated agents may present an option to better inform students and empower them to make good decisions about their training.

If such a position is adopted, and particularly given the extraordinarily poor behaviour that has previously typified part of this sector, it would require a degree of regulation of this intermediate role of an agent. In particular limiting and making transparent the nature of payments to ensure that advice to students is not conflicted by relationships between agents and providers. Any intermediary being funded directly or indirectly by public funds via the VET FEE-HELP scheme should be an agent for the students' interests, not the providers'.

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?

VET FEE-HELP ombudsman

In December 2015, in the context of the Senate debate regarding VET FEE-HELP, Senator the Hon Simon Birmingham, Minister for Education and Training, advised the Parliament that the Government would undertake 'to progress a model that could see application of an ombudsman'.

In considering the need for an ombudsman, there is feedback to suggest a range of problems with the existing system: there are gaps in jurisdictional coverage of relevant student complaint handling bodies; existing bodies are not able to consistently and effectively investigate and resolve training complaints; and students are unaware of potential avenues available to them to register complaints.

The Commonwealth does not have the power to appoint an ombudsman for the wider VET sector. This would require the referral of powers by the states, and historically they have shown no inclination to do so with respect to their consumer protection powers over the VET sector. Accordingly, an ombudsman would need to be specific to Commonwealth programmes and responsibilities.

The role of a VET FEE-HELP ombudsman would need to work with, and ensure that there is no overlap with, existing bodies of action for disaffected students including the Australian Competition and Consumer Commission (ACCC), state and territory consumer bodies, such as the newly established Queensland Training Ombudsman, the VET regulators and peak bodies.

A VET FEE-HELP ombudsman and office would require establishment and ongoing funding but would then offer a streamlined and transparent means of assisting students. It is important to note that an ombudsman with powers to resolve disputes would require legislation and funding. However, it could be funded by providers accessing the VET FEE-HELP scheme.

An immediate alternative is to establish a VET FEE-HELP ombudsman for a period of time to deal with the legacy of cases from poor conduct by some providers and flaws in the expansion of the scheme in 2012. The ombudsman would help students to navigate the system to obtain a remission or resolution of their particular issue.

Comment

While a legislated ombudsman is under consideration, including funding mechanisms and dispute resolution powers, a more immediate option is a VET FEE-HELP ombudsman to address the legacy caseload due to poor scheme design and the consequent unethical behaviour by some providers. This ombudsman would serve as an entry point and provide assistance for students to deal with complaints regarding the VET FEE-HELP scheme. Such a measure could be time limited as it is focused on dealing with the legacy caseload of poor behaviour flowing from the 2012 expansion and prior to the redesign of the scheme.

Discussion questions:

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

Regulating providers**The current statutory framework**

Both the Commonwealth and state and territory governments play a role in the governance and regulation of Australia's VET system and work alongside various independent bodies to ensure quality outcomes are delivered.

VET FEE-HELP is a part of the HELP and is enabled by HESA and managed by the Commonwealth Government Department of Education and Training. The Australian Skills Quality Authority (ASQA) is the national VET regulator. ASQA registers training providers (including those accessing VET FEE-HELP), monitors compliance with national standards and investigates quality concerns. In Victoria and Western Australia for providers that operate solely in those states, these roles are performed by the Victorian Registration and Qualifications Authority and the Training Accreditation Council Western Australia.

Stakeholders regularly call for clarity regarding the roles of the regulator and the purchaser of VET. Some argue regulating quality is the responsibility of ASQA as the national regulator, or in Victoria or Western Australia; the relevant body. However others maintain the existing regulatory requirements only provide a baseline level of quality and additional controls ensuring higher quality, contract management and market oversight, should be applied where the government is providing a significant financial investment.²⁶

Prior to the introduction of the 2015 reforms, the VET FEE-HELP compliance provisions provided under HESA were limited and did not target some key problems such as the offering of inducements and other unscrupulous marketing conduct, including arrangements with agents.

²⁶ Review of the *National Partnership Agreement on Skills Reform*, ACIL Allen Consulting, 2015.

In addition to prohibiting inducements, introducing rules regarding publishing accurate information about the scheme and applying strict requirements on marketing activity, the Commonwealth has also strengthened provisions around audits and suspensions for poor performance and introduced civil penalty provisions applicable to certain non-compliant conduct.

Comment

Fundamentally, a redesign should consider redrawing the relationship between the Commonwealth and the student and provider, including:

- loans being subject to conditions and limitations, including choice of provider where the Commonwealth has compliance concerns
- payments to providers by the Commonwealth are subject to compliance concerns and inappropriate activity
- protecting students so that fees cannot be directly recovered by the provider from the student if the Commonwealth ceases payment due to poor provider conduct.

Use of maximum scheme or provider loan caps

Consistent with the Commonwealth's agenda to repair the budget, it is critical for the redesigned VET FEE-HELP scheme to be fiscally sustainable into the future.

There are a range of options to achieve this. In addition to those discussed elsewhere in this paper, such as controls on demand and controls on price, a further option would be the application of an overall financial cap on the scheme. This could reasonably be achieved by applying maximum caps on the total loan values providers are approved to offer students.

Caps on provider loan values could be designed to include growth factors, customised based on different course offerings and account for the varied costs of delivering training in different geographical locations and through different modes of delivery. They would also need to accommodate the entry of new providers (for example, through a probationary arrangement).

While arguably the simplest approach to managing fiscal growth, applying caps on provider loan values would also lead to a range of challenges, including restricting a provider's ability to undertake long term planning, and to be able to innovate and rapidly respond to changing industry needs, a key element of an effective VET system.

Applying maximum loan values on qualifications also risks introducing a range of unintended consequences, equity of access issues, and transitional complexities depending on how the caps were derived, the value of the caps, and the level of discretion in adjusting caps over time to reflect changing circumstances.

Comment

Provider maximum loan caps would potentially limit competition and not necessarily achieve any improvement in student outcomes. Concerns about rapid growth in providers can be addressed through other regulatory mechanisms.

A maximum loan cap for the scheme would fundamentally change the nature of the VET FEE-HELP scheme.

Discussion questions:

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

Quality measures

Undertaking higher level VET is a serious commitment. VET qualifications enhance the development of the national workforce and strongly contribute to Australia's growing service export industry. As such, a reasonable question is whether the redesigned scheme should include a new approach to student engagement, course progression and ultimately completion and acquisition of a qualification.

One option would be to introduce a course progression or engagement component, where students can only access loans where they are actively engaged in their training and working towards completion. This would assist in putting downward pressure on growth while ensuring students do not incur debt for study they have informally withdrawn from or are not engaged in. Responsibility for course progression or engagement could be applied to either the provider or the student; however, imposing these requirements on the provider may incentivise the false progression of students. Applying a progression or engagement component on students however, may avoid this issue, and would also require greater responsibility and awareness from students regarding the conditions associated with the loan which they have taken out to pay for their training.

Any approach that imposes conditions on students would need to consider that learning is not always linear and initial failure can be a pathway to eventual success, a critical component of the competency-based VET system. For example, students can be engaged in their training despite not actually progressing, students may fail a unit multiple times before becoming competent and progressing, and students may commence a course or unit but change their mind and seek to study something else or cease altogether.

An alternative is to set minimum completion or progression rates for providers. This approach is used at a competency level in Queensland, but could equally be applied at the course level. However, as detailed in previous sections, many students undertake diplomas for only a subset of the qualification—and this makes setting a meaningful performance benchmark difficult. Setting

completion or progression rates based on performance indicators also risks providing perverse incentives, in that it may encourage providers to inflate completion rates.

A final issue to consider is whether providers should be required to meet higher quality standards to participate in the VET FEE-HELP scheme, on top of those to maintain registration as an RTO. Some of the possible measures are outlined below.

Comment

As outlined above, the impact of financial incentives upon providers must be specifically considered when developing payment systems and hurdles. While important and worthy, any changes to tie payments to engagement, progression or completion hurdles must not create incentives or reward unethical or inappropriate behaviour. The principled case for such measures is strong, as is the consideration of higher quality measures as a condition of participation in VET FEE-HELP.

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?

Reapplication process for all providers

One consideration is whether all existing providers should be required to reapply for VET FEE-HELP under the new redesigned scheme. This would 'reset' the scheme, and ensure all providers are on the same playing field. However, it would add administrative complexity, and would create uncertainty for many providers and students as to whether their current provider would continue to be approved to access the scheme.

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?

Time limited registrations

One option is to impose a legislative time limit on provider approvals and give the Minister the power to determine the period that a provider is approved (e.g. maximum 4 or 5 years but such shorter period as the Minister determines).

Legislation can set time limits, or empower the decision-maker to set time limits, on 'licences' held by providers and can make past compliance a key factor in determining future approvals, including the results of student surveys undertaken by the Department and the outcome of investigations and audits by the Department and ASQA. Such compliance powers will put pressure on providers to ensure compliant behaviour.

Comment

Providers are currently required to undergo re-registration with ASQA on a regular basis, but this is focused on remaining a RTO. To meet additional requirements imposed to access public funds via the VET FEE-HELP system, a similar re-registration process targeted at specific VET FEE-HELP measures of success and quality, could be considered to ensure ongoing quality. This could be undertaken on a rolling basis, or indeed once only to gain access to the new VET FEE-HELP system.

Discussion questions:

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

Managing the system

Courses to be funded

Despite its significant growth, data indicates a growing number of VET FEE-HELP loans are for courses other than those identified by states and territories as in demand. This is a consistent finding across all states and territories²⁷ and leads to a series of considerations regarding course eligibility and whether a prioritisation mechanism is necessary.

The first consideration is whether it is reasonable for students to access taxpayer funding for courses that ultimately result in a private and personal benefit (or in some case no demonstrable benefit) rather than a public benefit. Specifically, should VET FEE-HELP loans be available to all VET qualifications or limited to those that align with industry needs, lead to employment outcomes, result in a public good or provide pathways to higher education. The most obvious challenge with limiting courses is determining which courses are eligible and which courses are not, and the extent to which the Commonwealth can predict emerging needs.

This is particularly difficult as each state and territory has different employment markets, population characteristics and industry needs. As such, establishing a national approach for determining courses

²⁷ Analysis by Department of Education and Training derived from individual state and territory government VET subsidised lists.

that contribute to the labour force economy would require comprehensive precursory steps, extensive data inputs and regular review periods. Even then, there are many examples of central allocation resulting in less than ideal outcomes.

The second consideration is if VET FEE-HELP is available for all courses, should the Commonwealth introduce a prioritisation mechanism where courses that align with industry needs and skill shortages have access to a higher level of VET FEE-HELP compared to courses that have no link to industry needs.

Comment

As discussed above, under the Addressing Course Costs section, there are various mechanisms here that would all serve to limit course costs. These measures could also be used to prioritise certain areas of study.

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?

Information on performance

The VET FEE-HELP Data Collection is published annually as the VET FEE-HELP Statistics Report and includes administrative and statistical data related to all units of study with census dates from 1 January to 31 December of the reporting year. The collection includes data on student demographics, course enrolments, completions, VET FEE-HELP loans and tuition fees.

While the collection provides the Commonwealth with a rich source of data regarding the scheme, the current reporting schedule leads to a four month lag following the end of each six-month period in the availability of complete, verified data. This lag can be longer where providers fail to meet submission and verification deadlines. Lack of access to real time data and infrequent submission deadlines limits the Commonwealth's compliance ability and responsiveness to issues. It is therefore reasonable to consider how provider reporting requirements could be enhanced through the redesign to ensure the Commonwealth has timely access to up-to-date data on provider training delivered, fees charged, student details and student outcomes.

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?

Tuition Assurance

Under HESA a VET FEE-HELP provider must have a tuition assurance arrangement in place to protect students in the event their provider ceases to provide a course of study for which a student is enrolled. Under this arrangement students can choose between being enrolled in a similar course at an alternative provider or a refund of fees paid for the study units they were enrolled in at the time.

The management of displaced students takes place through the provider's Tuition Assurance Scheme. There are two approved schemes, the Australian Council for Private Education and Training and TAFE Directors Australia that manage the tuition assurance process including contacting students, offering a choice of a place or a refund of affected fees/remission of debt and implementing student choices.

The Tuition Assurance Scheme is a critical component of the VET FEE-HELP provider eligibility requirements and compliance framework. In particular, as VET FEE-HELP is typically paid to providers in advance, it serves as protection for both the Commonwealth and the student that training that has been paid for, and for which a loan has been incurred will be delivered; albeit at an alternative provider, or that the fees will be refunded/debt remitted. However, some stakeholders have expressed concerns that the Tuition Assurance Scheme is complex, difficult for providers to administer, and hard for the Commonwealth to regulate (particularly as it is externally managed).

If the VET FEE-HELP scheme is redesigned to include a course progression or engagement component where loan funding is delivered to providers incrementally and dependant on student progress, there may be less need for tuition assurance. However, any new scheme must have in place mechanisms to protect the student from unexpected provider closures or course changes. The interrelationship with the tuition assurance provisions required under the registration standards also adds complexity.

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?

Next Steps

As outlined by Minister Birmingham during debate over the changes legislated in December 2015,

‘We are of the view that, if we are to continue to offer students loans for VET courses, we need a scheme that better reflects the unique nature and practice of the VET sector. The model needs to be fit for purpose. That is why as a government we will seek to introduce a new model for VET FEE-HELP in 2017’

The Government is committed to redesigning the VET FEE-HELP scheme to better protect students and taxpayers and ensure improved vocational training outcomes.

Following the approaching election, and following a substantial period for stakeholders to consider this discussion paper and develop submissions and proposals, the Government will undertake an intense period of consultation regarding the options outlined in the paper.

In particular, the Government will seek to ensure there are no unforeseen incentives for poor behaviour and ensuring incentives are built into the new scheme to drive improved training quality and outcomes. The Government will also be focusing on developing a payment system that rewards good providers and outcomes.

Following this consultation a series of proposals will be considered by the Government and brought to Parliament. The Government is conscious that effective implementation will require a reasonable amount of time for both regulators and providers, and this will be taken into account when timing specific changes.

Feedback opportunities

Submissions for consideration should be emailed to VFHPolicyRedesign@education.gov.au by 30 June 2016.

Following their consideration a period of consultation will be undertaken throughout July, leading to the Government developing and releasing formal proposals in sufficient time for legislation to be considered in the Spring Session of Parliament.

Appendix 1: VET FEE-HELP Reforms (2015 and 2016)

Reform	Date
The banning of prohibited inducements to entice students to enrol under the VET FEE-HELP scheme.	1 April 2015
Tighter VET marketing and recruitment practices, including what is communicated about the loan scheme to prospective students, with more information available about the role of the communicator.	1 July 2015
Improving the understanding of how VET FEE-HELP operates, and students' rights and obligations.	
Providers must not charge students a fee to withdraw from a unit of study.	1 January 2016
Providers must apply a student entry procedure to ensure a prospective student is academically suited to the course.	
Providers must issue a student with a VET FEE-HELP Invoice Notice at least 14 days prior to each census date for a VET unit study.	
A provider must determine at least three fee-periods for charging purposes for each course it delivers for which VET FEE-HELP is available to ensure the debt is incurred in line with progress.	
A provider must not accept a Request for a VET FEE-HELP loan form from a person who is under the age of 18 unless a parent or guardian has co-signed the form (Limited exceptions apply).	
A provider must not accept a Request for a VET FEE-HELP loan from a student until at least two business days after enrolment.	
A person may apply to the Department for a remission of their VET FEE-HELP debt where the person was subject to inappropriate behaviour by a provider or its agent or associate that occurs from 1 January 2016.	
The total loan limit for existing providers will be frozen at 2015 levels.	
Certain providers will be paid in arrears.	
Where there are concerns about a provider's performance, payments will be paused for new enrolments.	
Infringements or civil penalties will apply where a provider breaches certain requirements.	
More stringent financial assessment criteria for providers and applicants for VET provider approval.	
RTOs seeking approval to offer VET FEE-HELP will require a minimum 5 year trading as an RTO and must have delivered the relevant courses for 5 years or more.	
Trustees of a trust cannot be approved as a VET FEE-HELP provider.	
Providers must generate a minimum of 20 per cent of total revenue through non HELP sources.	
Applicants and providers may be required to provide evidence of access to cash or cash equivalent assets equalling a certain proportion of their annual expenses.	
Unsuccessful Applicants will not be able to re-apply for six months.	

Appendix 2: Australia's national VET system

Key Points:

- Australia's VET system has been undergoing reforms since the 1990s.
- VET is an area of shared responsibility between the Commonwealth, state and territory governments and industry.

Background

Australia's vocational education and training (VET) sector aims to deliver workplace specific skills and knowledge across a wide range of careers and industries, including trades and office work, retail, hospitality and technology. It brings together students, registered training organisations (RTOs), governments, employers and industry bodies.

A successful VET system is crucial to Australia's future economic prosperity, through:

- developing workforce skills
- increasing employment opportunities
- addressing barriers to workforce participation, including long-term unemployment, and providing opportunities to retrain or up-skill.

VET providers are diverse in scope, scale and sector. They include government operated technical and further education (TAFE) institutes, adult and community education providers, agricultural colleges, universities, schools, private RTOs, community organisations, industry skill centres, and commercial and enterprise training providers.

The student population is diverse and the sector provides training for students of all ages and backgrounds. More than half of all students undertaking VET are over the age of 25 years and the vast majority are studying part-time.²⁸

The types of training range from formal classroom learning, to workplace-based learning (including apprenticeships), and can include flexible, self-paced learning and/or online training, often in combination.²⁹

Change in the sector

Australia's VET system has been under increased scrutiny since the 1990s and has experienced ongoing policy change. As an indicator of the level of change, there have been almost 50 key reports on VET since 1990.³⁰ Over this time, reforms have tended to focus on:

- the formation of a national training system, with the introduction of measures such as national quality standards

²⁸ *The likelihood of completing a VET qualification 2009-2012*, NCVET, August 2014.

²⁹ Productivity Commission, *Report on Government Services 2015*.

³⁰ <http://apo.org.au/resource/history-vet-australia-overview>

- increasing competition between public and private training organisations
- enhancing consumer choice in training options, including employer choice.³¹

Roles and responsibilities

VET is an area of shared responsibility between the Commonwealth, state and territory governments and industry. State and territory governments manage the delivery of VET within their jurisdictions and have traditionally provided approximately two thirds of the funding in the VET system³². The Commonwealth provides significant financial assistance to states and territories to support the national training system. The Commonwealth also directly supports training through its VET FEE-HELP scheme, and provides a range of other incentives and interventions, including:

- apprenticeship incentives and support services
- support to migrants and humanitarian visa holders to learn foundation English skills
- national regulation provided by the Australian Skills Quality Authority.

Commonwealth, state and territory government roles and responsibilities are defined in the *National Partnership Agreement on Skills Reform*. Under the National Partnership:

- The Commonwealth is responsible for monitoring and assessing performance, providing financial contributions to states and territories, operation of VET FEE-HELP and leading key national initiatives (including the *MySkills* website)
- The states and territories are responsible for the implementation of agreed reforms, monitoring and reporting their performance in delivering the specified outputs and outcomes.³³

Many stakeholders have commented that the fragmented national training system results in a system that is complex and disjointed, particularly for training providers operating across state borders.³⁴ This is a wider issue that has been the subject of comment for many years. Many of those issues are beyond the scope of this paper which directly addresses the VET FEE-HELP scheme, but which remain under consideration by the Government. Issues also arise from variations in funding across jurisdictions causing, for example, differences in participation levels and qualification completions.³⁵ Others have noted that the Commonwealth's tendency to be a direct funder/financier adds further complexity.³⁶

³¹ *How VET responds: a historical policy perspective*, NCVER, 2011.

³² Productivity Commission, *Report on Government Services* 2015.

³³ Review of the *National Partnership Agreement on Skills Reform*, 2016.

³⁴ Review of the *National Partnership Agreement on Skills Reform*, 2016.

³⁵ *VET funding in Australia: Background, trends and future directions*, Mitchell Institute, 2016.

³⁶ *VET funding in Australia: Background, trends and future directions*, Mitchell Institute, 2016.

Appendix 3: principles and objectives for the 2017 VET FEE-HELP redesign

The redesign of the VET FEE-HELP scheme will be underpinned by the following key principles:

- The scheme is fiscally sustainable and contributes to national economic growth
- The scheme removes financial barriers to training and improves equity of access to higher level VET
- The scheme promotes the delivery of quality and affordable training for students
- The scheme balances industry needs, employment outcomes and student choice
- The scheme is student centred through adequate protection for students (particularly from disadvantaged backgrounds) and access to information that enables informed decision making
- The scheme has programme integrity, manages risk and promotes confidence in the regulated VET market.