

Committee Secretary
Senate Education and Employment Committee
PO Box 6100
Parliament House
Canberra ACT 2600
By email: eec.sen@aph.gov.au

13 February 2015

Dear Members of the References Committee,

Re: Senate inquiry into the operation, regulation and funding of private vocational education and training (VET) providers in Australia.

As the CEO & Principal of the College for Adult Learning, a Private RTO that has operated in the sector from when it was first deregulated in 2009, and, prior to this a senior executive at a Melbourne dual sector university/TAFE, I welcome this opportunity to submit some observations to the Education and Employment References Committee in relation to the above enquiry.

Specifically, this submission will address two criteria from the terms of reference:

- The cost of education at private VET providers
- The operation of VET-FEE-HELP

Introduction

1. The College for Adult Learning RTO no. 22228, hereinafter referred to as CAL, is a national provider located in Victoria under the auspices of ASQA. We commenced operations in Victoria when contested funding was first introduced in the State through the Skills Reform Policy & the introduction of the Victoria Training Guarantee in 2008. Under this scheme, RTO's were paid a nominal hourly rate for the delivery of qualifications. Since the introduction of the Victorian Guarantee, other States have followed and all use various formulas to calculate the amount of government funding supplied to TAFE's & private RTO's for the delivery of accredited training.

Background to Fees & Calculating the Fee per Qualification

2. Since the late '90's, there has been a move to reduce the cost of VET training and increase productivity levels in the TAFE sector. The introduction of contested funding gave state governments a mechanism to reduce the cost of training by publishing the rate at which it would fund government subsidized training. Training providers could subsidize the government funding received through the imposition of 'tuition' or 'enrolment' fees whereby the student would contribute to the cost of training. The training provider would then receive the advertised nominal hour fee from government

plus the tuition fee paid by the student direct to the RTO. Initially, this tuition fee was also controlled by government (i.e. a maximum tuition fee was mandated for a specific qualification) and it formed the basis of what RTO's charged in a competitive market environment. For example, in 2009 for government subsidized training in Victoria, according to the 2010 list of funded qualifications¹ the Diploma of Human Resources Management was funded at \$6.06 per student contact hour (SCH) to a maximum of 550 SCH, therefore, government funding paid the contracted RTO \$3,333.00 per person enrolled in the Diploma of HRM. To further supplement this figure, the RTO could collect up to \$750 in tuition fees directly from the student². This gave the RTO \$4083.00 in course fees per student to deliver the Diploma of HRM. While these figures were later revised down, they illustrate the agreed dollar value of delivery and an expectation that RTO's can deliver this qualification and others like it for this sum.

3. There has been a lot of modelling and financial analysis conducted on the per enrolment delivery costs in the TAFE sector both pre and post the introduction of contested funding. In response to the need to provide a more competitive figure for commercial education provided to business and corporate clients, I was involved (as a TAFE Director) in a detailed costing analysis of TAFE programs that calculated the sum required to deliver a Diploma qualification in HRM, Management or Business at approximately \$8,000. It is worth noting here that this calculation was higher than that achievable in an independent TAFE environment because of the additional costs associated with a dual sector organisation. Later, in my role as Director of the University's commercial education unit, the Diploma programs offered to industry were costed at \$4,500 per person (TAFE FFS fees 2007). To be clear on what this means, the TAFE sector agreed to provide fee for service training for business related Diplomas at \$4,500 per person – a fee that presumably covered their costs at the time.
4. Contested funding saw the advent of a large number of private RTO's competing for students across the board. This saw the FFS rate become very competitive with rates below the benchmark \$4083.00 government subsidised figure initially calculated in 2009. The market was getting crowded and the prices confusing. Many RTO's with government funding advertised their price at the set tuition rate or, in the race to compete they dropped the rate entirely while others without government funding followed suit. While this is anecdotal, my point here is that the private RTO fees for course delivery were extremely competitive and fell well below the 2009 benchmark. To labour the point, private RTO's we delivering (and presumably making a profit from) Diplomas³ costing at or below \$4,000.00 often well below \$4,000 regardless of the mode of delivery (i.e. face to face or online).
5. TAFE's maintained their FFS rate for Diploma delivery at cost which meant they lost

¹ Securing Jobs for Your Future. 2010 list of funded qualifications. (Excel spreadsheet)

² Note: \$750, Maximum tuition fees that could be charged for a Diploma (under the skills deepening category). Ref. *Fees for Government Funded Training: A Basic Guide for Training Providers*. (2009) Securing Jobs for Your Future – Skills Victoria. Victorian Government, DIIRD.

³ Figures quoted relate to the Diplomas of HRM, Business, Management and related business qualifications

competitiveness with private RTO's. Even in government funded training, TAFE's needed to collect the tuition fee to recover their costs while private RTO's didn't. This meant that TAFE's could not compete in either market (government subsidized training or Fee for Service/user pays).

6. In July 2009, the Australian Government heavily promoted the VET-Fee Help Assistance Scheme to private RTO's running information sessions across Australia. Anecdotally (from CAL market research), the initial take up by RTO's to provide VET Fee-Help was limited (or at least it was not prominently advertised on provider websites), however, over the last few years VET Fee-Help has become a significant value-add for RTO's and it is now heavily promoted on RTO's websites and in various marketing media.
7. The Scan (13/03/15) reports that the number of diploma students taking out VET Fee-Help loans is increasing – almost 2000% in four years. The prominence of VET Fee-Help in the marketing collateral of RTO's (private and public) supports this increase.
8. This huge uptake in VET Fee-Help loans has correlated with the significant increase in Diploma fees for private RTO's who are registered for VET Fee-Help. While it is almost impossible to research the fees and charges of RTO's from their websites, and other marketing collateral, recent figures from the federal Education Department show that more than 100,000 mostly diploma students are accumulating debts that theoretically could reach as high as \$100,000 each. The figures, given on notice to a Senate committee, reveal the number of students accessing VET Fee-Help loans rose from about 5000 in 2009 to 100,000 in 2013. Anecdotal evidence gathered by CAL's sales & marketing team from prospective students, indicates that some RTO's are now charging well in excess of the 2009 benchmark – up to \$18,000 or more for an online Diploma of HRM. It would appear that, for some providers, fees (and presumably costs) have quadrupled in less than 5 years!

Considerations

1. One of the original criteria for contested funding in Victoria was to make VET delivery more efficient while maintaining its effectiveness. Its aim was, in part, to improve productivity in TAFE's.
2. Initially, the implementation of contested funding and a user pays market had a significant effect on the price of a Diploma – it dropped dramatically. While this has ultimately had an adverse effect on TAFE presumably private providers were surviving and thriving. After all, with online training especially, they had low operating costs with lean management structures. Yet, with the growth in VET Fee-Help the price of a Diploma has skyrocketed to \$18,000 in some cases. Sure, the cost of administering the strict reporting requirements of VET Fee-Help would add some additional costs to the price but, it is hard to justify a price increase 2, 3 or even 4 times the original advertised price.

3. It seems to me that VET Fee-Help is being scammed and it should be comprehensively investigated. I have no doubt that there has been a great deal of financial modelling done in the TAFE sector and, this could form the basis of any investigation. This could be used as an acceptable benchmark whereby a limit was then placed on the delivery fee the Government would fund under VET Fee-Help.

I realise, in my focus on VET Fee-HELP, that I have disregarded many other factors that influence VET in Australia and I know that many of these factors will also need to be addressed and explored in this review and that consequently this submission could be seen as over-simplistic however my intent was simple – to bring to your attention the blowout in course fees under VET Fee-HELP.

For the sector it is immoral. For the naïve student the end result may well be devastating & financially crippling.

Thank-you for your consideration,



Helen Sabell
CEO & Principal
College for Adult Learning RTO no. 22228