

**Australian Catholic University (ACU)
Submission to the Senate Inquiry into the
Higher Education Support Amendment
(VET FEE-HELP Reform) Bill 2015**

November 2015

**AUSTRALIAN CATHOLIC UNIVERSITY (ACU) SUBMISSION TO THE SENATE
INQUIRY INTO THE HIGHER EDUCATION SUPPORT AMENDMENT (VET FEE-HELP
REFORM) BILL 2015**

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EXECUTIVE SUMMARY

Australian Catholic University (ACU) welcomes the opportunity to make a submission to the Senate Inquiry into the Higher Education Support Amendment (VET FEE-HELP Reform) Bill 2015.

The Australian VET sector plays a crucial role in ensuring the provision of essential training and services to meet the current and future skills needs of the nation. Government, students, and industry are heavily invested in VET learning and service delivery outcomes, as is the wider public in the interests of ensuring accountability for the expenditure of public funds and advancing the Australian economy.

By providing concessional income-contingent loans, VET FEE-HELP is important in ensuring that the VET sector can continue to play this role. However, while there are a number of quality providers operating in the VET sector, there is serious concern about the volume and range of reported incidents of private providers engaging in opportunistic and unscrupulous practices in recent years, bringing the entire sector into disrepute.

ACU operates ACUcom a Registered Training Organisation which has been operating for over ten years, and during that time has successfully trained and assessed both international and domestic students across a number of qualifications in Nursing, Children Services, Aged Care, Language, Literacy and Numeracy, Education Support, Training and Assessment and Business and Management. ASQA classed ACUcom as a low risk provider and awarded it a further seven years re-registration in 2015. We are currently training only domestic students and offer those students enrolled in diploma-level courses the opportunity to defer payment of their fees through VET FEE-HELP.

ACU makes this submission for two reasons.

First, ACU is concerned about the broader implication of unscrupulous behaviour by VET providers on the operation of the Higher Education Loan Programme (HELP). Given the significant investment by the Government that HELP represents, ensuring that this investment is targeted where it can deliver the best results is vital.

Second, ACU is concerned about the reported practices of some of the private VET providers as a sign of what might happen if Commonwealth supported places (CSPs) are extended to non-university higher education providers (NUHEPs). In other submissions to this committee, ACU has argued against the extension of CSPs to NUHEPs on the basis that many of the practices which the VET system has experienced may be translated to the higher education system and may damage the reputation of the entire system, as they have done to the VET system.

ACU supports the reforms contained in the Bill. In particular, ACU endorses the proposals to:

- Introduce of a minimum registration and trading history requirement as additional eligibility criteria for admitting new providers to the scheme.
- Strengthen the infringement framework to deal with unscrupulous behaviour in a more effective and timely manner.
- Improve the information that providers are required to give to prospective students to ensure they fully understand the conditions under which they are taking out the loan.

These proposals should provide for stronger oversight of the scheme and allow the Government to better target its investment in tertiary education. However, given the speed at which VET providers have acted to take advantage of the VET FEE-HELP scheme, continued close monitoring of the impact of these proposals and a review of their effectiveness would be prudent.

I. SNAPSHOT OF THE AUSTRALIAN VET SECTOR AND VET FEE-HELP

The VET sector

The VET sector plays a crucial role in providing essential training and services to meet Australia's current and future skills needs, with government, students, industry and the wider public heavily invested in funded learning and service delivery outcomes. The VET sector offers students the opportunity to:

- Attain nationally-recognised qualifications for a range of jobs.
- Gather the skills needed to meet regulatory and licensing requirements.
- Enter into an educational pathway that suits their needs.¹

Responsibility for the VET sector sits predominantly with the states and territories, but there has been a gradual movement towards the Commonwealth taking on greater responsibilities. This means that there are currently eight different VET systems, each with slightly different approaches to the funding of this training.² In 2014-15, governments provided an estimated \$5.9 billion in funding for subsidised training, with approximately 30 per cent of this coming from the Commonwealth Government.³

In terms of enrolments, the VET sector is considerably larger than the higher education sector, with around 3.9 million students undertaking training in 2014.⁴ This includes:

- 2.3 million students studying at private providers and 1.1 million studying at TAFEs.⁵
- 1.8 million students in government-subsidised training places, including around 316,000 apprentices and trainees.⁶
- 846,000 (or almost 22 per cent) students aged 19 or less.⁷

The most popular courses were 'Management and commerce' (over 738 000 enrolments), followed by 'Engineering and related technologies' and 'Society and culture.'⁸

Over 4,600 public, private and community providers deliver VET, of which, over 2800 are private providers.⁹ Of the subjects studied at these private providers, over 43 per cent were Commonwealth/state-funded.¹⁰

¹ Australian Government, *Reform of the Federation – White Paper: Roles and responsibilities and training and higher education - Part B: Vocational Education and Training and Higher Education; Issues Paper 4*, (December 2014) 3.

² Ibid 10-21.

³ Ibid 4.

⁴ National Centre for Vocational Education Research, *Snapshot to vocational education and training in Australia: infographics* (10 November 2015)

[<http://www.ncver.edu.au/wps/portal/vetdataportal/restricted/newsEventsOpinionpieces!/ut/p/a1/vZFfT8IwFMW_Ci97bHpZ2QaPKGKH8keGge2F1K5jVWjLVoj46e1MTIwJoi_ehyY3_eXce-7BGV7hTLGj3DArtWLbps_Cddz2ryntwGhKaQhxNFzME_pIIAjwEmc448oaW-JU8aOo11wrK5T14KP1oBK1PIRc1B6UYmtaTOWt-mCMrhwjVaE3FTOI5O6_VszUpbZIF-goLJKsUNtK7aVDH1Fm6mGyxynRhEUdHmCCLOUOfJPaxHAiR8Qke5GFPCGcjdTbgTPXhVy4dMqO3oX_lkC4dA8STZD4c3yQEpuF3AHoPA6fhT0b0ftaGu-CCAnwq_LBk6lxEZ9cc-Dj5411GI3y7u8nn_T7ru4ybVF8tXv1jyGa365ITepnTt0WxW_bfAdy8MIQ!/d15/d5/L2dBISEvZ0FBIS9nQSEh/>](http://www.ncver.edu.au/wps/portal/vetdataportal/restricted/newsEventsOpinionpieces!/ut/p/a1/vZFfT8IwFMW_Ci97bHpZ2QaPKGKH8keGge2F1K5jVWjLVoj46e1MTIwJoi_ehyY3_eXce-7BGV7hTLGj3DArtWLbps_Cddz2ryntwGhKaQhxNFzME_pIIAjwEmc448oaW-JU8aOo11wrK5T14KP1oBK1PIRc1B6UYmtaTOWt-mCMrhwjVaE3FTOI5O6_VszUpbZIF-goLJKsUNtK7aVDH1Fm6mGyxynRhEUdHmCCLOUOfJPaxHAiR8Qke5GFPCGcjdTbgTPXhVy4dMqO3oX_lkC4dA8STZD4c3yQEpuF3AHoPA6fhT0b0ftaGu-CCAnwq_LBk6lxEZ9cc-Dj5411GI3y7u8nn_T7ru4ybVF8tXv1jyGa365ITepnTt0WxW_bfAdy8MIQ!/d15/d5/L2dBISEvZ0FBIS9nQSEh/)

⁵ Ibid.

⁶ Ibid.

⁷ Ibid.

⁸ Ibid.

⁹ December 2014 figures as per Australian Government, above n 1.

¹⁰ National Centre for Vocational Education Research, above n 4.

VET FEE-HELP

The Commonwealth Government introduced VET FEE-HELP, an income contingent loan scheme for VET students in diploma and advanced diploma full-fee qualifications, in 2009 to give them similar support to what is available to higher education students. In 2012, as part of the Skills Reforms, access to income contingent loans was expanded to state-subsidised higher level VET courses, and the scheme trialled at the Certificate IV level for specified courses until the end of 2016.¹¹

In 2014, almost \$1.8 billion in VET FEE-HELP loans was provided by the Commonwealth Government. This represented an increase of 151.3 per cent over the amount of assistance provided in 2013 and a 756.1 per cent increase since 2011.¹² This is partly driven by a rapid increase in the number of students accessing VET FEE-HELP, with an increase of 102 per cent between 2013 and 2014 and 433 per cent between 2011 and 2014.¹³ However, it has also be driven by an increase in average tuition fees. In 2011, the average tuition fee per EFTSL was \$4,814, this had increased to \$12,308 in 2014, and increase of 156 per cent in three years.¹⁴ In comparison, the maximum student contribution amount for a higher education Commonwealth supported place in 2014 was \$10,085.¹⁵

This growth in students accessing VET FEE-HELP is much faster in regional and remote areas and in lower socioeconomic status areas. Enrolments from regional and remote areas have grown by 643 per cent between 2011 and 2014, while those from low-SES areas (the bottom quintile) have grown by 578 per cent.¹⁶

There has also been a significant shift in the employment status of students accessing VET FEE-HELP. In 2011, 60 per cent of students were employed, by 2014 this had fallen to 46 per cent.¹⁷ While this can partly be explained by a softening labour market, it would also appear to be driven by a shift in the type of student accessing VET FEE-HELP loans.

This growth in VET FEE-HELP loans has meant that it has become a much more significant proportion of HELP loans provided. As Figure 1 shows, VET FEE-HELP has represented an increasing proportion of total HELP payments to providers, increasing from less than one per cent in 2009 to almost 11 per cent in 2013. While payments under HECS-HELP, FEE-HELP, OS-HELP and SA-HELP have not yet been reported for 2014, VET-FEE HELP payments increased from \$669 million in 2013 to \$1,757 in 2014. Given this, it is likely that the proportion of total HELP payments provided to VET-FEE HELP students has risen considerably in 2014, with the value of these loans now likely to represent around 20 per cent of all HELP loans.

As with the other HELP schemes, VET FEE-HELP allows eligible students to defer payment of their fees until they are earning over the minimum HELP repayment threshold (\$54,126 in 2015-16), with people's debts indexed each year at CPI. This means that there is a cost to the Government in providing these loans as it is providing them at an interest rate that is less than what it costs to borrow this money and not all debts will be repaid.

¹¹ Australian Government, above n 1.

¹² Department of Education and Training, *2014 VET FEE-HELP Statistical Report – Tuition Fee data* (19 October 2015) <<https://docs.education.gov.au/node/38379>>.

¹³ Department of Education and Training, *2014 VET FEE-HELP Statistical Report –Enrolment data* (19 October 2015) <<https://docs.education.gov.au/node/38377>>.

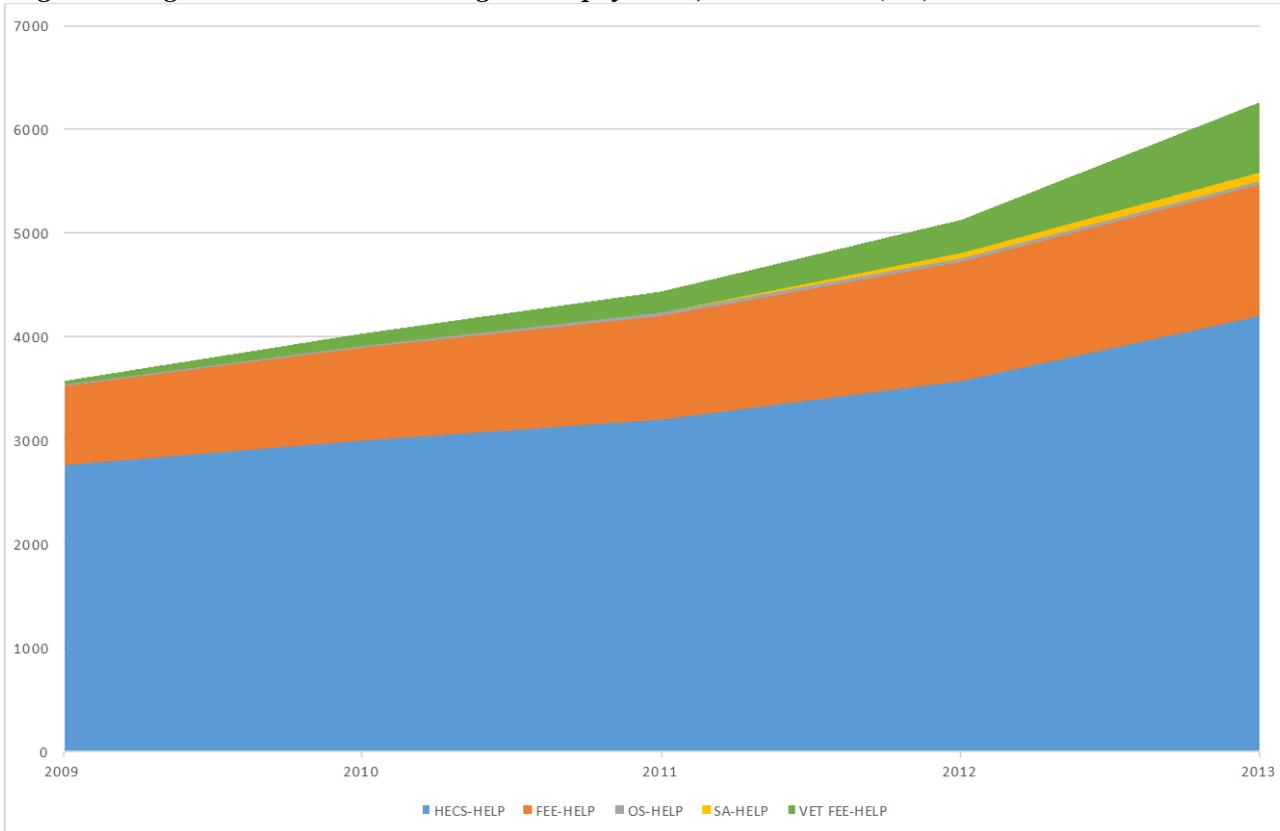
¹⁴ Department of Education and Training, above n 12.

¹⁵ Department of Education and Training, *Indexed rates for 2014* (28 May 2015) <<https://docs.education.gov.au/node/34619>>.

¹⁶ Department of Education and Training, above n 13.

¹⁷ Ibid.

Figure 1: Higher Education Loan Programme payments, 2009 to 2013 (\$m)¹⁸



In the 2015-16 Budget, it is estimated that HELP expense are expected to grow from \$2.4 billion to \$4.4 billion over 2015-16 to 2018-19.¹⁹ The Government does not differentiate between types of HELP schemes in reporting expenses, but given the rapid growth in VET FEE-HELP over the last few years, there is little doubt that a substantial element in this increase in expenses is due to this scheme in particular.

However, it is not just the provision of extra loans that would be adding to this expense, but the types of loans. Although the Government expects that 19 per cent of HELP loans provided in 2015-16 will not be repaid,²⁰ estimates from the Grattan Institute indicate that the proportion of VET FEE-HELP loans expected not to be repaid is around 40 per cent.²¹ This means that the cost of each VET FEE-HELP loan is higher than the cost of loans from other schemes. With a growing proportion of HELP loans being to VET students, the cost of HELP will inevitably increase.

¹⁸ Department of Education and Training, *Higher Education Report 2011-13* (27 May 2015), 123-129 <<https://docs.education.gov.au/node/37869>>; Department of Education and Training, *2014 VET FEE-HELP Statistical Report – Summary* (19 October 2015), 4 <<https://docs.education.gov.au/node/38375>>; Department of Education, Employment and Workplace Relation, *Higher Education Report 2010* (2011), 60-62 <<https://docs.education.gov.au/documents/higher-education-report-2010>>; Department of Education, Employment and Workplace Relation, *Higher Education Report 2009* (2010), 58-59 <<https://docs.education.gov.au/documents/higher-education-report-2009>>.

¹⁹ Australian Government Department of Education and Training, *Budget 2015-16: Portfolio Budget Statement 2015-16, Budget Related Paper No. 1.5* (2015), 49 <<https://docs.education.gov.au/node/37799>>.

²⁰ Ibid 50.

²¹ Andrew Norton, *Submission to Senate Education and Employment References Committee Inquiry into operation, regulation and funding of vocational education and training (VET) providers in Australia* (2015), 2 <http://grattan.edu.au/wp-content/uploads/2015/02/234_norton_submission_vet_senate_inquiry1.pdf> .

II THE BROADER IMPLICATIONS OF UNSCRUPULOUS BEHAVIOUR BY SOME VET FEE-HELP PROVIDERS

Unscrupulous behaviour

The growth in VET FEE-HELP loans provided between 2009 and 2014 is to be expected given the scheme was new and was being introduced to support a sector that had been operating for many years. The increase also demonstrates the success of the scheme in giving a growing number of people the opportunity to access training that may have been inaccessible in the past because of the upfront cost of VET study. However, it is also clear that a substantial proportion of this growth is due to unscrupulous behaviour of a number of private VET providers.

In 2015, the VET FEE-HELP loan limit is \$97,728 for most students.²² This is a sizeable amount of funding for private VET providers to potentially access in jurisdictions where competitive funding arrangements have been introduced. Significantly, there are few restrictions on the fees providers can charge for VET FEE-HELP qualifications. This has led to students deferring large fees through the scheme, often with little possibility of repayment.

Departmental data shows significant growth in the average fees per EFTSL deferred through VET FEE-HELP. As outlined above, average fees have increased by over 150 per cent in the three years between 2011 and 2014, but this disguises much larger growth in some types of courses. For example, fees for information technology courses increased from under \$3,000 in 2011 to almost \$19,000 in 2014 (or 574 per cent).²³ In comparison, fees for a university student undertaking a Bachelor of Information Technology would have been around \$8,600 in 2014.²⁴

It is also notable that there are considerable differences in the fees being charged by private VET providers compared to TAFEs. In one case, a business course at a private provider (Empower-Institute) cost \$14,800, compared with \$3,900 at a TAFE. At the same provider, an early childhood course costs \$15,000, compared with \$4,930 at TAFE.²⁵

In another example, an October 2014 media report identified Aussia Training Centre as charging \$11,000 for a Diploma of Early Childhood, whereas TAFE charged only \$1,500 for its subsidised course and \$5,000 for one of its commercial versions of the course. Aussia reportedly encouraged students to defer their course costs to the VET FEE-HELP scheme, where they would not have to make repayments until they earned the minimum repayment amount. The report noted that the median wage for a childcare worker in Australia is \$49,000, 'meaning many are unlikely to repay the debt.'²⁶

While students accessing VET FEE-HELP are paying significantly higher fees than university students and growth in these fees has far outstripped any potential increases in costs for these providers, the outcomes from these courses are poor. A recent report by the National Centre for Vocational Education Research (NCVER) found that students that commenced their study between 2009 and 2012 in receipt of

²² Australian Government, *Thinking about a VET qualification? VET FEE-HELP 2015*, Study Assist <<http://studyassist.gov.au/sites/StudyAssist/HelpfulResources/Documents/2015%20VET%20FEE-HELP%20Brochure.pdf>>; Australian Government, *FEE-HELP*, Study Assist <<http://studyassist.gov.au/sites/studyassist/help-paying-my-fees/fee-help/pages/fee-help->>>.

²³ Department of Education and Training, above n 12.

²⁴ Department of Education and Training, above n 15.

²⁵ Nicola Berkovic and Kylar Loussikian, 'Courses showered with funds but completion rates low,' *The Australian* (online), 30 October 2015 <<http://www.theaustralian.com.au/national-affairs/education/courses-showered-with-funds-but-completion-rates-low/story-fn59nlz9-1227587541544?sv=89de2a7d4422295c1bfad1b551fe087e&login=1>>.

²⁶ Claire Aird and Alison Branley, 'Unregistered training colleges target disadvantaged, sign them up to expensive government loans' *ABC News*, 10 October 2014 <<http://www.abc.net.au/news/2014-10-06/unregistered-training-colleges-target-low-income-earners/5793246>>

VET FEE-HELP only had a 21 per cent probability of completing their study.²⁷ Significantly, the likelihood of completing varied considerably between providers, with students at some providers having just a 1 per cent probability of completion.²⁸

While the NCVER report does not identify which providers have the extremely low completion rates, media reports indicate that these are more than likely those that are also making massive profits from student fees. In one example, Unique International College was found to be charging students around \$25,000 per year for diplomas and had received almost \$140 million in VET FEE-HELP payments in less than two years. Its completion rate was just 5.8 per cent.²⁹ One of the reasons for this low completion rate was no doubt the marketing and recruitment actions of the College which allegedly involves targeting

particular locations, including rural and remote towns and indigenous communities, to sign consumers up to diploma courses ranging from \$22,000 to \$25,000 without adequately explaining they were being signed up for a government debt. Unique employees, who were paid incentive payments based on the number of students they enrolled, visited the locations including Bankstown, Boggabilla, Bourke, Brewarrina, Emerton, Moree, Taree, Toomelah, Walgett, Wagga Wagga with boxes of 'free' laptops for anyone who signed up for a course.³⁰

While such stories are not the norm in the VET sector, the prevalence of such reports in the media over the last year or two indicates that it is a significant problem. Other examples include a provider that received \$46 million in VET FEE-HELP loans in one year. Of the 4,200 students enrolled with them, fewer than five completed. While in another example, loans worth \$3.5 million were provided to support 603 students, with just nine completing.³¹

Not surprisingly, private providers are generating massive profits from these activities, but it is students and (more likely) the Government that will foot the bill if VET FEE-HELP payments continue to be made to these providers.

Comments on measures in the Bill

Consistent with its proposal to the Senate Inquiry into the operation, regulation and funding of private vocational education and training (VET) in Australia, ACU supports the Government's proposal to introduce a minimum registration and trading history requirement. This is an important step and will ensure that only those providers that demonstrate a commitment to quality training are able to offer VET FEE-HELP.

The new penalty regime introduced by this Bill also helps to improve the integrity of the scheme and will hopefully reduce the amount of unacceptable behaviour. Providers should be required to properly inform students of the conditions of their loans, action student requests to withdraw from the course in a timely manner and ensure that the timing of fees throughout a course is consistent with the cost of the course. The ability to issue infringement notices under Part 4 of the *Standard Provisions (Regulatory Powers) Act 2014* will hopefully allow the Government to act quickly should evidence of this behaviour be reported.

In a tight budgetary environment, it is important that the Government targets its investment wisely. There is no doubt that the profiteering activity of many private VET providers is not in the public interest. Without the actions outlined in this Bill, there would be a real and significant risk that the Government would look to offset the growing cost of VET FEE-HELP through cuts to other areas of tertiary education. It should not be

²⁷ National Centre for Vocational Education Research, *A preliminary analysis of the outcomes of students assisted by VET FEE-HELP* (2015), 7.

²⁸ *Ibid.*, 8.

²⁹ Frank Chung, 'Training college could be forced to repay millions in government loans' *news.com.au*, 28 October 2015 < <http://www.news.com.au/finance/work/training-college-could-be-forced-to-repay-millions-in-government-loans/story-fnkgbb3b-1227584025310>>.

³⁰ *Ibid.*

³¹ Nicola Berkovic and Kylar Loussikian, above n 25.

students at reputable and high-quality educational institutions, whether they be universities or TAFEs, that effectively pay for the profits achieved at these unscrupulous providers.

ACU also supports limiting the measures outlined in the Bill to the VET FEE-HELP scheme itself in the first instance. The evidence points overwhelmingly to the issue being confined to the VET sector, and it is here that additional regulation should be targeted. As is evident from the Government's Regulation Impact Statement, while these measures are expected to produce an overall reduction in regulation, this is based on significant reductions in enrolments, not in a reduction in the regulation per enrolment.³² If such regulations were implemented across all HELP schemes, there would obviously be a significant increase in the regulatory burden placed upon providers that have not demonstrated the unethical behaviour of these private VET providers. It would be unfair on the higher education providers who are operating at the quality end of the market.

³² Department of Education and Training, *Regulation Impact Statement: Changes to the VET FEE-HELP Scheme*, August 2015, 54 <http://parlinfo.aph.gov.au/parlInfo/download/legislation/ems/r5535_ems_f3823490-24d1-4d13-9dcb-16b540c0c5ad/upload_pdf/504005RIS.pdf;fileType=application%2Fpdf>.

II. CONTESTABILITY OF PUBLIC FUNDING

Implications of Public Policy Changes to VET Funding Arrangements

ACU is conscious of a growing trend towards the introduction of contestability for public funding of VET across Australian jurisdictions. Under the shared national reform agenda most jurisdictions have been moving towards a market-based model, based on contestable services and competitive funding arrangements. Under this model, public providers such as TAFEs are required to compete directly with private providers in order to secure government subsidies to deliver training. For example, as of 2015, the NSW Government has introduced a contestable market for VET, whereby the public provider, TAFE NSW, is now required to compete with private providers for students and government funding.³³ Similarly, since 2009 the Victorian Government has progressively introduced reforms to enable eligible individuals to access government-subsidised VET training places and provision for greater competition between providers to access public funding in Victoria.

These changes in funding arrangements have shifted the roles of state and territory governments from being one of the ‘owner and provider of services’, to distinct roles as the purchaser of services and as owners.³⁴

The Australian Government’s White Paper on the Reform of the Federation identifies that the opening up of government-subsidised places to private providers in VET has seen private providers’ share of the subsidised training market ‘increase to around one third Australia-wide, compared to about 20 per cent in 2009.’³⁵ As more jurisdictions move to introduce contestable funding, this share is likely to increase significantly. While the move to contestable funding models evidently leads towards greater diversity of providers in the VET sector, and has offered students greater institutional choice - for instance, the number of training providers in Victoria grew from 561 to more than 750 between 2008 and 2011³⁶ - it has also raised significant concerns that the new funding regimes are leading to outcomes that are: contrary to national objectives; resulting in inefficient government expenditure; and placing significant strain on the effective operation of public providers in delivering on their mandates, with potentially far reaching ramifications. The introduction of contestable public funding arrangements has caused a significant decline in the market share of public providers. For instance, in Victoria, since 2008, the TAFE market share of government funded student load has fallen from almost 70 per cent to 45 per cent; and in South Australia, it fell from 71 per cent in 2011 to 51 per cent in 2012.³⁷

Levelling the playing field for VET FEE-HELP

The unscrupulous behaviour evidenced in the VET FEE-HELP scheme has partly been the result of this shift. As outlined in the Regulation Impact Statement, one of the contributing factors to the current issues in VET FEE-HELP was the removal of the Credit Transfer Arrangements from 1 January 2013, an action that was ‘intended to provide a level playing field and encourage more RTOs to seek approval under the scheme.’³⁸ The removal of these arrangements had two impacts:

- Growth in enrolments that was eight times that which was anticipated.
- The removal of an informal quality assurance measure, whereby public universities effectively endorsed the quality of the training provided.³⁹

³³ NSW Government, *Statement of Owner Expectations: NSW TAFE Commission (TAFE NSW)* (2013).

³⁴ Ibid.

³⁵ Australian Government, above n 1, 3.

³⁶ Victorian Government, *Refocusing Vocational Training in Victoria* (2012), 4

<<http://www.education.vic.gov.au/Documents/about/department/refocusingvetstatement.pdf>>

³⁷ Peter Noonan, ‘TAFE in crisis? No, but the future is changing for vocational education’, *The Conversation*, 8 August 2014 <<http://theconversation.com/tafe-in-crisis-no-but-the-future-is-changing-for-vocational-education-30316>>.

³⁸ Department of Education and Training, above n 32, 20.

³⁹ Ibid, 21.

While the removal of the Credit Transfer Arrangements may not have necessarily led to the growth in enrolments, it definitely occurred at the same time. While the growth in enrolments in 2012 was 41 per cent, this did represent a moderation in growth. This is to be expected given maturity of the program. However, after the removal of the Credit Transfer Arrangements, growth increased to 81 per cent and 103 per cent in 2013 and 2014 respectively.⁴⁰ While this may have levelled the playing field, this corresponded with a significant increase in enrolments.

Implications for the Commonwealth Grant Scheme

Any proposals to extend access to public funding for higher education, particularly subsidies through the Commonwealth Grant Scheme, need to be considered in light of the outcomes of VET FEE-HELP.

As ACU has argued in previous submissions to this committee, the demand driven funding system should not be extended to non-university higher education providers (NUHEPs) for a number of reasons.

- In a strained fiscal environment the government should not be making already successful profit making ventures dependent on government funding.
- NUHEPs have distinctly different objectives: they operate primarily to make profit. Public universities are fundamentally concerned with teaching and learning, quality education, and scholarship.
- It will have an adverse impact on regional universities and flow-on effects on workforce capacity in critical areas of need across the nation.
- There is a potential adverse impact on the quality and international reputation of Australia's higher education system. The Tertiary Education Quality and Standards Agency (TEQSA), the sector's quality and standards regulator, has already had resources cut and will be overburdened (if not so already) in assuring the sustained quality and timely regulation of an expanding list of providers.
- The substantial costs and important obligations that universities must meet as public institutions require that universities receive a larger share of funding.

Evidence from VET FEE-HELP demonstrates the very real risks of this expansion. In particular, it demonstrates the speed at which private providers can set up and grow their enrolments to become major players in the market. Importantly, it is the behaviour of such providers that is in question. While the providers that practice this unscrupulous behaviour in the VET sector may be in the minority, evidence points to the fact that it is those providers which have grown very quickly to become some of the largest in the sector are also those implicated in the unethical behaviour that has been revealed.

It has been reported that six of the top ten private VET providers are 'under regulatory scrutiny or have been accused of questionable quality or marketing practices.'⁴¹ Between them they received \$620 million in VET FEE-HELP loans in 2014 (over 35 per cent of loans provided).⁴² This group of providers enrolled almost 60,000 students with VET FEE-HELP loans in 2014.⁴³ In comparison, in 2013, they enrolled just over 23,000 students.⁴⁴ This is an increase of 160 per cent in one year. In two cases, these providers did not exist in 2013, meaning that they were in the top 10 providers for enrolments in their first year of operation.

The significance of large providers is acknowledged in the Government's Regulation Impact Statement:

⁴⁰ Based on data from Department of Education and Training, *2014 VET FEE-HELP Statistical Report – Summary* (19 October 2015), 2 <<https://docs.education.gov.au/node/38375>>.

⁴¹ Nicola Berkovic, 'Six to 10 top private college groups under a cloud' *The Australian* (online), 5 November 2015 <<http://www.theaustralian.com.au/higher-education/six-of-10-top-private-college-groups-under-a-cloud/story-e6frgcjx-1227596512064>>.

⁴² Ibid.

⁴³ Department of Education and Training, *2014 VET FEE-HELP Statistical Report – Provider data* (19 October 2015) <<https://docs.education.gov.au/node/38381>>.

⁴⁴ Department of Education and Training, *VET FEE-HELP Statistical Report – Provider Tables - 2013* (28 October 2014) <<https://docs.education.gov.au/node/36565>>.

'Large' providers are providers that have total VFH assisted student numbers that equate to two per cent or more of overall participating VFH assisted student cohort. In 2014, large providers represented only three per cent of providers however account for approximately 54 per cent of participating students.⁴⁵

Taken together, these two pieces of evidence indicate the speed at which private education providers are able to very quickly come to dominate a system, even a well-established system with significant historical investment in public providers. What is more concerning for a public policy perspective is that those providers that come to dominate the system are those whose business practices are most questionable.

The Minister for Education and Training, Simon Birmingham, is right to note the dangers in opening up Government funding, such as the Commonwealth Grant Scheme, to private providers, having recently acknowledged that he is 'somewhat scarred by the mess I've been working to clean up in the poorly regulated vocational education market... I will tread cautiously and double check every quality safeguard in reforms such as this.'⁴⁶

The lessons of VET FEE-HELP need to be heeded. To determine whether the reforms outlined in this Bill are effective, it would be prudent to establish a review in a few years. This should be in addition to close monitoring of the operation of the scheme. Only if such a review demonstrates the effectiveness of measures in the Bill should extension of public funding in other areas of tertiary education be considered. Further, if a government were to consider extension of the Commonwealth Grant Scheme to private providers, it should only be done under very tight control. As demonstrated above, the ability of private providers to quickly expand through less than ethical means demonstrates the risk of allowing these providers carte blanche access to public funding.

⁴⁵ Department of Education and Training, above n 32, 49.

⁴⁶ Simon Birmingham, *Speech to Australian Financial Review Higher Education Summit* (28 October 2015) <<https://ministers.education.gov.au/birmingham/speech-australian-financial-review-higher-education-summit>>.

APPENDIX A - AUSTRALIAN CATHOLIC UNIVERSITY (ACU) PROFILE

Australian Catholic University (ACU) is a publicly funded Catholic university, open to people of all faiths and of none and with teaching, learning and research inspired by 2,000 years of Catholic intellectual tradition. ACU operates as a multi-jurisdictional university with seven campuses across four states and one territory. ACU campuses are located in North Sydney (NSW), Strathfield (NSW), Canberra (ACT), Melbourne (Victoria), Ballarat (Victoria), Brisbane (QLD) and Adelaide (SA).

ACU is the largest Catholic university in the English speaking world. Today, ACU has almost 31,000 students and over 2,000 staff.⁴⁷

ACU graduates demonstrate high standards of professional excellence and are also socially responsible, highly employable and committed to active and responsive learning. ACU graduates are highly sought after by employers, with a 94 per cent employment rate.⁴⁸

ACU has built its reputation in the areas of Health and Education and is a major producer of nursing and teaching graduates in Australia. ACU educates the largest number of undergraduate nursing and teaching students in Australia,⁴⁹ serving to meet significant workforce needs in these areas. Under the demand driven system, ACU has sought to focus and build on these strengths.

Since 2014 ACU has had four faculties: Health Services; Education and Arts; Law and Business; and Theology and Philosophy. The consolidation of the previous six faculties has created a more efficient and competitive structure focused on the needs of industry and employment partners. ACU is also moving towards the adoption of a shared services model where suitable, to improve efficiencies, internal processes and better allocate resources.

ACU is committed to targeted and quality research. ACU's strategic plan focuses on areas that align with ACU's mission and reflect most of its learning and teaching: Education; Health and Wellbeing; Theology and Philosophy; and Social Justice and the Common Good. To underpin its plan for research intensification, ACU has appointed high profile leaders to assume the directorships, and work with high calibre members, of the following seven research institutes

- The Mary MacKillop Institute for Health Research (Faculty of Health Sciences).
- Institute for Positive Psychology and Education (IPPE) (Faculty of Health Sciences).
- The Institute for Health and Ageing (Faculty of Health Sciences).
- Learning Sciences Institute Australia (LSIA) (Faculty of Education and Arts).
- Institute for Social Justice (Faculty of Education and Arts).
- Institute for Religion and Critical Inquiry (Faculty of Theology and Philosophy).
- Institute for Religion, Politics and Society (IRPS) (Faculty of Theology and Philosophy).⁵⁰

⁴⁷ As at November 2015. Student numbers refer to headcount figures while staff numbers refer to full-time equivalent (FTE).

⁴⁸ *Graduate Destination Survey (GDS) 2014*.

⁴⁹ Department of Education and Training, *2014 Higher Education Data Collection – Students, Special Courses* (31 July 2015) <<https://docs.education.gov.au/node/38139>>.

⁵⁰ Australian Catholic University, *ACU Research* <http://www.acu.edu.au/research/research_institutes_and_programs>.