

30 June 2016

Senator the Hon Scott Ryan
Minister for Vocational Education and Skills
Department of Education and Training
VFHPolicyRedesign@education.gov.au

Dear Minister

I write in response to the request for submissions on the Redesigning VET FEE-HELP Discussion Paper.



Business SA
Chamber of Commerce
and Industry South Australia

ABN 000 14 725 309 328
Level 1, 136 Greenhill Road
Unley South Australia 5061
T: +61 8 8300 0000

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Executive Summary

- Business SA welcomes the Federal Government's in-depth review of the VET FEE HELP (VFH) system. Vocational Education and Training (VET) provides the skills that employers need and is fundamental to the future of our modern economy. The unethical practices engaged in by some Registered Training Organisations (RTOs) in relation to qualifications that use VFH became very high profile and contributed to reputational damage for the whole sector. A strengthening and redesign is required to gain confidence in the system and restore the reputation of an essential aspect of Australia's education system.
- The VFH Discussion Paper outlines numerous options for reform, including options to regulate the amount of VFH payable depending on the course offered and the method of delivery and targeting VFH to courses that address known skill shortages. Business SA's submission focuses on those reform areas identified by our RTO members as key areas for consideration.
- Our members' businesses operate in all sectors of the South Australian economy. We have members whom are RTOs and members who regularly use the training system. Business SA's submission is focused on the reforms that will hopefully make the system function effectively for RTOs, ensure that tax payer dollars are spent wisely and efficiently and address reputation concerns with the VET system.

Should you require any further information or have questions, please contact Hannah Treloar, Senior Policy Adviser, on (08) 8300 0000 or hannaht@business-sa.com.

Yours sincerely,

Anthony Penney
Executive Director, Industry and Government Engagement





Why this matter is important to South Australian businesses

As South Australia's Chamber of Commerce and Industry, Business SA is the peak business membership organisation in the State. Our members are affected by this matter in the following ways:

- The integrity and reputation of the VET sector is important to all businesses in South Australia. Businesses rely on having access to skilled employees and VET plays an important role in up-skilling and re-training to meet the needs of the modern economy;
- Our RTO members who directly interact with VFH will be impacted by any change to the operation of the scheme.

Key Policy Points

1. The Discussion Paper raises the dilemma that since introduction of VFH course fees that attract VFH have risen more than course fees that do not utilise VFH. Business SA understands that a contributing factor to this rising course cost could be that courses that use VFH do not have the same ability to be modified to take account for prior learning. For example, an RTO is not able to remove modules that a student may not need to complete due to recognised prior learning (and hence reduce the course cost), if the student is using VFH to pay for the training. The student needs to pay for the full course even if some sections of the course they would usually receive course credit for and hence not be charged for those particular modules. Business SA submits that this aspect of VFH needs to be addressed to ensure that these courses are afforded the same flexibility with regards to prior learning as non-VFH courses.
2. The Discussion Paper also raises additional issues and reform options associated with the cost of courses that use VFH. One of the reform options proposed is that the Federal Department, based on market information, should set reasonable course costs and only allow VFH loans to be taken out to the amount determined under a reasonable course cost. This option had support from Business SA's RTO members as it would not cap the amount an RTO could charge for a course but cap the loan amount that could be accessed. This option would also help ensure that taxpayers were getting the most value for their tax dollar as it would incentivise RTOs to deliver training cost effectively and efficiently. As with all additional regulation it would need to be managed carefully to ensure that the setting of reasonable course costs did not have a negative impact on the market.
3. Linked to the setting of reasonable course costs is the suggestion that different modes of delivery of training should also attract different levels of VFH loan limits. The Discussion Paper proposes the idea that training that is delivered online should have a reasonable course cost that is lower than training that is delivered in person for the purpose of VFH loans. Business SA's RTO members support this option for reform. As mentioned above it would be important for the Government to consider this option for regulation carefully as it would not be beneficial to the market, students or taxpayers if this regulation acted as a disincentive for innovative online delivery models for training.
4. In South Australia, the State Government currently allocates funding to training partly based on skill needs and the Discussion Paper raises the option that the Federal Government should also consider only targeting VFH loans to areas of skill needs. Business SA is supportive of targeting funding based on skills need in the economy as it not only benefits business who need these skills but it also helps ensure a link to employment once training is completed. One important



point to note is that State Government funding is a direct subsidy and is not required to be repaid by the student, the VFH loan is required to be paid back. As long as the VFH loan is able to be paid back by the student over their working life then there may be an argument to allow students to access loans out of direct areas of skill needs as ultimately they still pay for the cost of the training. In addition, the ability for the Federal Government to accurately target VFH loans would require additional data gathering and close liaison with all states and territories due to different and changing skill needs across Australia which could be difficult to manage effectively. Business SA supports effective price signals for students so that they entirely understand the nature of the loan and the requirement to pay it back.