Why we need a full inquiry into the VET FEE-HELP disaster



TAFE Teacher Opinion Column

By John Mitchell

It has become clear that the Federal Government is funding a vocational education system which rewards private providers for signing up vulnerable Australians, including some from homeless shelters, aged care homes and drug rehabilitation centres, for huge taxpayer-backed debts.

So why hasn't there been a full inquiry into how the VET FEE-HELP scheme has been abused, and how government departments have failed in their responsibility to ensure taxpayer dollars are well spent.

Appalling recruitment practices have been widespread in the sector for the last few years, as summarized by the Redfern Legal Centre in its verbal presentation to the senate inquiry into private providers in July 2015:

"Unfortunately, Redfern Legal Centre has witnessed the systemic exploitation of the VET FEE-HELP loan scheme by private training colleges through the use of misleading and unconscionable marketing practices to churn student enrolments. Our particular concerns relate to door-to-door sales by marketing agents, who act on a commission basis, on behalf of RTOs. We have seen a deliberate targeting of acutely vulnerable people, particularly those living in high-density public housing in the Redfern-Waterloo area of inner Sydney. Also, we have seen marketing agents approaching people directly outside Centrelink offices in Redfern."

To me, this recruitment of unwitting people amounts to the abuse of adults and, given the scale of the abuse, I believe it deserves an inquiry that would go further than any of the other inquiries to date and ask one ultimate question: who is responsible for this abuse?

Responsibility for the abuse

To date, some of the government reports that have considered what went wrong with VET FEE-HELP have largely blamed the "rogue providers" and been gentle in their assessment of the contribution of policymakers to this mess.

But this ignores the fact that rogues will gravitate to those programs where there loopholes exist, such as the infamous pink

batts program. A fundamental job of policymakers is to not design loopholes for rogues to exploit, or, if they design them by mistake, to close them quickly.

The media and the state politicians are increasingly pointing to policymakers as major, even if unintended, contributors; and in the case of VET FEE-HELP, those policymakers are in Canberra. And policymakers can include not just public servants but advisers and politicians; and not just people from the Department of Education and Training.

Journalists have reported a range of graphic stories over the last eighteen months where students offered VET FEE-HELP loans were recruited by brokers dangling iPads or cash incentives, only for these unsuspecting students to find out part the way through their course that the training provider was now bankrupt or about to be shut down by the regulator.

Referring to the worst offenders as rogue operators ignores the fact that these colleges are not at the fringe of the VET FEE-HELP debacle, but are some of the biggest beneficiaries of the scheme.

Six of the top 10 organisations running Australian private colleges — which together received more than $620 million in government-funded student loans last year — are under regulatory scrutiny or have been accused of questionable quality or marketing practices. (*The Australian*, 5-11-2015).

Four of the six colleges are the subject of regulatory audits and one of the colleges is the subject of legal action by the Australian Competition and Consumer Commission and has been deregistered. A sixth “is set to be the subject of a possible class -action by hundreds of students for alleged breaches of consumer and credit laws”.

What are taxpayers and students getting from this? Well, despite the many hundreds of millions of dollars flowing to these six organisations in government-funded VET FEE-HELP student loans, together they had just 1,874 students finish their courses in 2014.

The sharks have had a feeding frenzy. Let’s call this, at best, naïve policymaking.

Policymakers’ contribution to the shambles

Regulators have been several steps behind the sharks while VET FEE-HELP debts have skyrocketed. For example, the Radio National program Background Briefing on 28 February 2016, found that the Federal Department of Education and Training did not share its VET FEE-HELP loan data with the Australia Skills Quality Authority, ASQA, which accredits courses and regulates training organisations, until early 2015.” The loans data “would have allowed ASQA to judge which training organisations were growing the fastest, and therefore posed the most regulatory risk.” (abc.net.au)

This was not just naïve; it was an inept performance with unfortunate consequences for unwitting students abused by rogue training providers.

How has such a mess come about and dragged on for so long? One only has to look back at the July 2015 transcript of the discussion between three senior managers from DET and the senate committee inquiring into private providers to see how much DET had lost control of the VET FEE-HELP program and was in a bumbling catch-up mode in 2015, trying to poke their fingers into the holes in the dyke.

Beyond naïve and inept policymaking

The recently leaked proposal for the Commonwealth to take over VET was lampooned around Australia, because it blissfully overlooked the Federal Government’s appalling mismanagement of VET FEE-HELP, which is popularly described as twice or three times the size of the debacle of the pink batts program.

Bruce McKenzie, former head of Holmesglen Institute and the lead author on a 2015 report on reforms to Victorian VET, described the ideas in the paper about a federal takeover of VET as “clumsy” and “outdated” and “like a pre-historic monster risen from the dead” (*The Age*, 03-02-2016).

One wonders just how federal policymakers could perform so poorly for so long, and so misread the messages being sent to it by the community, the media and state politicians.

Only an independent inquiry could address the question about why did the policymaking cross the line from being naïve and inept to something worse than that.

Vocational education is crucial for our economy. We need to ensure that the system we have is based around incentives to provide quality training to young people and adults who need it, not incentives for private providers to exploit the vulnerable.

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