Australian Government

VET FEE-HELP Redesign

Regulation Impact Statement

Department of Education and Training

Australian Government

Contents

Australian Government

Acronyms

Acronym	Description
AQF	Australian Qualifications Framework
ASQA	Australian Skills Quality Authority
CFO	Chief Financial Officer
eCAF	Electronic Commonwealth Assistance Form
HESA	Higher Education Support Act (2003)
IPART	Independent Pricing and Regulatory Tribunal
LLN	Language, Literacy and Numeracy
OBPR	Office of Best Practice Regulation
RIS	Regulation Impact Statement
RTO	Registered Training Organisation
TAFE	Technical and Further Education
VET	Vocational Education and Training

Australian Government

The VET FEE-HELP Redesign

On 29 April 2016, the former Minister for Vocational Education and Skills, Senator the Hon Scott Ryan, released the *Redesigning VET FEE-HELP* discussion paper. The discussion paper provided a frank assessment of the issues in the VET FEE-HELP scheme and outlined a range of options to address them as part of the 2017 redesign. Submissions in response to the discussion paper were invited from the public until 30 June 2016.

The Government is committed to introducing a redesigned and rebranded VET FEE-HELP loan scheme in 2017 which is robust, sustainable and high quality. The new loan scheme will:

- be underpinned by a strong regulatory framework that provides greater protection for students.
- deliver quality and affordable training that has strong links to industry needs.
- remain affordable for students and fiscally sustainable to government and taxpayers.

Purpose of this document

This document is a Regulation Impact Statement (RIS). It sets out the Government's preferred option for the VET FEE-HELP redesign, as well as alternatives, developed following consultations with VET FEE-HELP providers in April 2016 and public submissions in response to the discussion paper. While this RIS provides an explanation of the problems being addressed, a more comprehensive examination of the issues within the VET FEE-HELP scheme is available in the RIS that applied to the 2015 and 2016 VET FEE-HELP Reforms (OBPR Reference 18068), and in the discussion paper.

What is a RIS?

A RIS assesses the impact of potential changes in regulation. Regulation is any rule endorsed by government where there is an expectation of compliance.

Under guidelines agreed to by all governments a RIS must consider certain questions, which include:

1. What is the problem you are trying to solve?
2. Why is government action needed?
3. What policy options are you considering?
4. What is the likely benefit of each option?
5. Who will you consult about these options and how will you consult them?
6. What is the best option from those you have considered?
7. How will you implement and evaluate your chosen option?

The content of this RIS corresponds to these questions.

Status of this RIS

This RIS passed through an early assessment process by OBPR on 5 September 2016, a second early assessment on 19 September 2016 and a first-pass final assessment on 30 September 2016, which occurred prior to the Government's policy approval decisions. To date, OBPR advises this RIS process is consistent with the Government's best practice regulation making process, including that the RIS has been formally certified at the Deputy Secretary level.

Australian Government

Guide to the document

This RIS is divided into five chapters:

- Chapter 1 – Background to the problem
- Chapter 2 – Options for consideration
- Chapter 3 – Impact analysis
- Chapter 4 – Consultations
- Chapter 5 – Implementation and evaluation

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1. Background to the problem

As outlined above, on 28 April 2016, the former Minister for Vocational Education and Skills, Senator the Hon Scott Ryan, released the *Redesigning VET FEE-HELP* discussion paper. The discussion paper presents a comprehensive history and analysis of the issues that have developed in the VET FEE-HELP scheme since it commenced in 2009.

This RIS does not repeat that analysis but provides a short summary of some of the key problems.

1.1 VET FEE-HELP scheme

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 sector has been undergoing microeconomic reform since the 1990s with the main driver being a move towards a larger, more contestable and more competitive market. The benefits of these reforms were increased competition, contestability and growth with the aim of driving citizen-focussed innovation, efficiency in training delivery, and agility to respond to changing consumer and economic needs.

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. This was achieved by allowing a range of training providers – public, private and not for profit – to compete for students, which has also helped to increase the diversity of providers. Since its establishment, VET FEE-HELP has supported over 500,000 Australian students to participate in post-compulsory education who might not otherwise have had the opportunity to do so.

The VET FEE-HELP scheme is a demand driven measure and has experienced significant growth since its inception, some of which can be attributed to the ready availability of income contingent loans. However, the ready availability of these loans, while an important enabler of education and skills development, appears to have dampened price sensitivity among potential students in this sector.

This, combined with opportunistic behaviour by some well-resourced but in some cases unconscionable operators, has led to unethical, aggressive, profit-driven student recruitment with rapid unanticipated growth in enrolments at those providers. This in turn has led to a rapid increase in debt accrual.

Since the scheme became operational in 2009, many reforms have been implemented. One of these was the then Australian Government in 2012 removing the requirement for registered training organisations to have credit transfer arrangements to higher education. The aim of this was to open up state and territory training markets and to remove an administrative burden which created a barrier to market entry for providers. While this led to market benefits such as increased competition and ability to respond to consumer and economic needs, it also exposed the scheme to abuse resulting from the lack of a suitable compliance, monitoring and enforcement regime. In particular, the application of a system designed for higher education to VET, without taking into account the differences in the sectors. These include different motivators for students and providers, and a lowering of barriers to entry, which is the key cause of the problems with VET FEE-HELP.

In 2015 and 2016 the Government introduced a number of important reforms to address the most pressing issues in the scheme (outlined at Appendix A). The reforms have provided greater protection for students against aggressive marketing and enrolment activities and improved the Government's capacity to take action against poor performing providers. However, there are continuing concerns about the rapid growth of the scheme, its relevance to likely employment outcomes, the rise in course tuition fees and poor student completion rates.

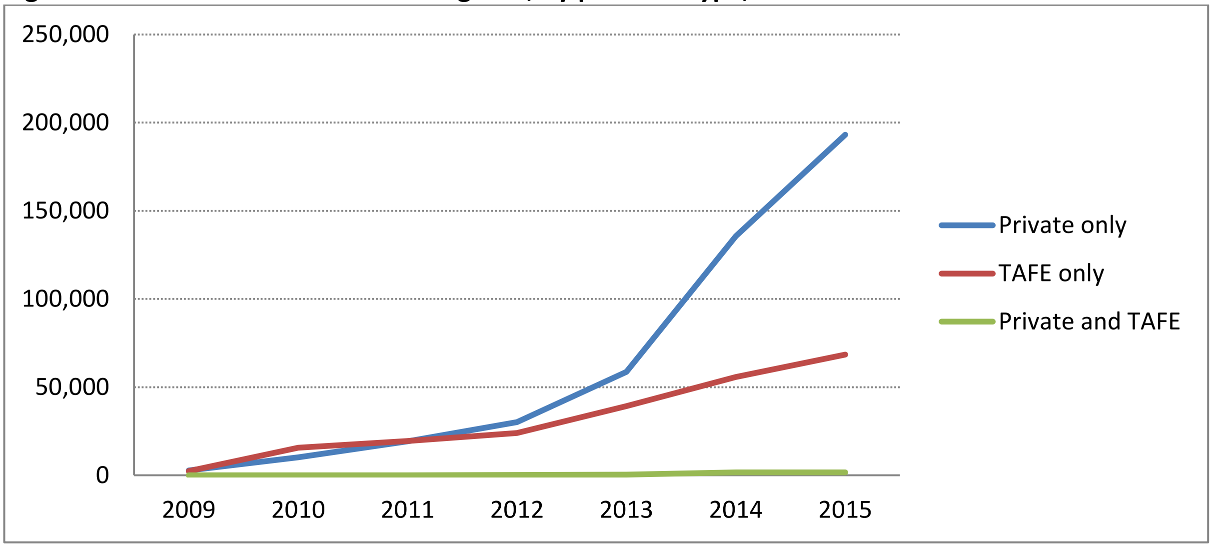
1.2 Rapid growth and fiscal sustainability

As outlined in the discussion paper, 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. From inception in 2009 to 2012 when the system was expanded, the average growth per year was approximately 16,620 students per year. However, after the 2012 expansion to 2015, the average student growth per year was 72,600. Over this period, course tuition fees have also increased which has resulted in higher debts for many students. For example, tuition fees increased from an average of $4,060 in 2009, $5,917 in 2012 and approximately $14,000 in 2015 and the average loan per student has more than doubled from $4,861 in 2009 and $5,917 in 2012, to approximately $10,000 in 2015. These factors have led to a dramatic increase in overall VET FEE-HELP loans from $26 million in 2009 and $325 million in 2012, to over $2.9 billion in 2015.

The most notable outcomes from the changes made in 2012 are the rapid growth of private providers over TAFEs and public providers. This is reflected in the increased numbers of students accessing VET FEE-HELP that have increasingly chosen private providers over TAFE. Since the 2012 reforms, student numbers have increased from approximately 30,000 in 2012 to 193,000 in 2015. The growth rates are summarised by provider in the figure below.

Australian Government

Figure 1: Growth in students accessing VFH, by provider type, 2009-2015 as at 2 March 2016



While critical to ensuring access and affordability, by avoiding the need for upfront costs, the loan scheme also dulls price signals for students. The result of this is the cost of courses with access to VET FEE-HELP often bears little relationship to the true cost of delivery.

An analysis of compiled data from the average tuition fees for the most popular VET FEE-HELP diplomas – Business, Management, Early Childhood and Community Service Work – from both TAFEs and private providers shows clear fee increases since the 2012 reforms.

Table 1: Average tuition fees in selected diplomas, 2011 and 2015, by provider type

Provider type	2011	2015	Growth (%)
TAFE	$3,028	$5,654	**187**
Private	$11,773	$18,580	**158**

While one of the intentions of the 2012 expansions was to increase competition in the VET marketplace, the increased accessibility of VET FEE-HELP loans to providers has led to an over dependence on the scheme for approximately half of the total providers. Based on the self-reported financial data from providers, the following table outlines the reliance of VET FEE-HELP revenue. It is acknowledged that these are self-reported figures and have not been independently verified but have been used in this instance to provide an indication of market reliance.

Table 2 – VFH Providers revenue dependence on the VFH program (30 June 2015)

Revenue dependence on VFH	No. of VFH Providers	Proportion of total VFH Providers
Above 90 %	23	16 %
Above 80 %	41	29 %
Above 50 %	75	54 %
Total	140	100 %

Similarly, an inherent risk of an income contingent loan scheme such as the VET FEE-HELP scheme includes some debt not being repaid. When compared to the HELP scheme, where students typically have the ability to earn significantly larger incomes on completion, the lower expected incomes of VET FEE-HELP students includes a significant number of students earning below the repayment threshold. Therefore it is less likely the loan will be repaid. The rapid growth of the scheme across all elements, coupled with low completion rates and high rates of debt not expected to be repaid is compromising the scheme's long term sustainability for the Government.

1.3 Courses eligible for VET FEE-HELP

VET FEE-HELP is available for VET diplomas, advanced diplomas, graduate certificates and graduate diplomas. These qualifications are commonly referred to as higher level VET qualifications. The VET FEE-HELP scheme currently sets no limitations on the types of courses eligible for VET FEE-HELP loans or whether they align to industry needs and employment outcomes for students. As a result, there is limited analysis currently being undertaken of the correlation to industry demand, as the key driver for VET FEE-HELP eligibility only requires the course to be a valid higher level VET qualification and an approved provider. This has led to large loan values being incurred for students to undertake courses that are not necessarily aligned to Australia's growth and skills shortages, or that fail to provide students with the skills demanded by employers and industry. Research has suggested that providers are more likely to offer courses on the basis of available government funding rather than student and industry demands. Since the current scheme funds all courses at diploma level or above, this has led to courses being offered that may be incompatible with the skills in demand by employers.

1.4 Student completion rates

The quality of VET training (both perceived and actual) is a perennial issue for the sector. A number of providers have been or are being investigated by the Australian Competition and Consumer Commission due to potential breaches of consumer law. There are approximately 30 providers being audited by the department, and a number of those are expected to be identified as high risk. This number may increase as a result of additional investigations by the department. The Australian Skills Quality Authority (ASQA) is also scrutinising high-risk providers.

More broadly, low levels of completion and high student attrition rates are a common feature of the VET sector, and are particularly evident for VET FEE-HELP students. For example, 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.

The use of aggressive marketing practices and opportunistic provider behaviour has seen students enrolling in courses they may not need or be capable of successfully completing. Similarly, many students have been enrolled in courses without an adequate understanding of the scheme. This has led to people being enrolled in courses and units and applying for VET FEE-HELP assistance without due consideration, consent or knowledge.

This has led to significant loan amounts being paid to providers where students are not engaged in their training either because they are not receiving adequate support to progress, have disengaged from the course without formally withdrawing, or did not genuinely enrol in the first place.

1.5 Provider misconduct and underperformance

Despite the raft of known issues, prior to the reforms introduced in 2015 and 2016, the legislation that underpins the VET FEE-HELP scheme, the *Higher Education Support Act 2003* (HESA), provided only limited compliance powers for the Government. This resulted in the continued operation of unscrupulous providers which contributed significantly to the cost blowout of the scheme and dramatically damaged its reputation. As identified above in section 1.4 both the ACCC and the ASQA are currently investigating VET FEE-HELP providers for a variety of non-compliance factors.

1.6 Affected parties

The parties likely to be directly affected by the options to address the problem described above are:

- Registered training organisations and their officials
- Current and future vocational education and training students
- Employer and industry groups
- Provider peak bodies
- Vocational education and training regulators
- State and Territory Governments
- The Australian community

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2. Options for consideration

This section outlines the options for addressing the problems identified in Chapter 1. Three options are considered:

- Option 1 (preferred): Regulatory reform with stronger focus on student engagement, course affordability and provider quality.
- Option 2: Non regulatory reform with increased focus on better information to improve student understanding of VET FEE-HELP and address information asymmetry.
- Option 3: Continuing with business as usual.

2.1 Option 1- Regulatory reform with stronger focus on student engagement, course affordability and provider quality

OVERVIEW

Option 1 is a redesigned loan scheme, underpinned by strong legislation and hard hitting compliance. The majority of the measures outlined in this option will be achieved through new and standalone legislation to apply to the new loan scheme. Some of these measures will require amendments to the existing legislation, the HESA. These measures include:

- Loan caps on all eligible courses to put downward pressure on tuition fees and stop inflated charging
- A student engagement requirement to ensure students are genuinely engaged in their training
- Reduced course eligibility to ensure access to loans is limited to courses that meet industry needs and skills shortages
- Strengthened entry and ongoing quality requirements for providers and an enhanced compliance framework.

Establish loan caps on all courses

The application of loan caps on all eligible courses would protect students from rapidly rising course costs, and put downward pressure on fees.

Under this option, there would be three bands of loan caps of $5,000, $10,000 and $15,000, based on efficient delivery cost. It is estimated that up to 90 per cent of existing VET FEE-HELP study load would fit into the $10,000 band, with the remaining 10 per cent failing into one of the other bands or be in non-eligible courses (noting that study load assumptions relating to VET FEE-HELP may not apply to the new scheme). Eligible courses will be allocated to the band most closely aligned with their cost, however, this does not guarantee that a provider will not charge above the allocated loan cap.

These caps were derived through a combined analysis of the course prices set under the NSW Smart and Skilled program and actual VET FEE-HELP tuition data. For diploma and advanced diploma courses, this data shows a range of course prices from approximately $5,000 to $30,000, and an average of approximately $10,000. This is significantly below the average VET FEE-HELP course cost of approximately $14,000. A sample of courses and their tuition fee per student under VET FEE-HELP compared to the price set under NSW Smart and Skilled is below.

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 on the Smart and Skilled website.
Note: 2015 data is unverified, extracted on 3 April 2016

Establishing loan caps on courses does not prevent providers from setting tuition fees above the cap, rather it sets a ceiling on the maximum loan amount the government is willing to provide a student for a course. This is a departure from existing arrangements, which do not allow 'gap' fees.

Loan caps on courses would apply irrespective of whether the course is being delivered face-to-face in a classroom setting, online, or via mixed delivery modes.

Exemptions

The Minister would have the power to specify which courses fall under which band, to exclude courses from any band and also to specify exemptions from loan caps for courses that result in a high social good but have high delivery costs.

Course eligibility

Course eligibility for the new loan scheme would be limited to courses that have a high national priority, meet industry needs, contribute to addressing skills shortages and align with strong employment outcomes. This will ensure the Government's investment in VET is better targeted and large loan amounts are no longer paid to courses that have limited public good.

A list of eligible courses would be published by the Government and updated periodically.

Student engagement and progression requirement

A student engagement requirement would be added to existing fee period arrangements. Students would be required to confirm engagement, via their electronic Commonwealth Assistance Form (eCAF) at the beginning of at least two fee periods to demonstrate their engagement with their course and understanding of the loan accrual for that fee period. The student engagement requirement would be implemented in two stages to permit necessary IT enhancements.

In the first stage where a student fails to log in online via the eCAF, the loan for that fee period would still be incurred as per current arrangements, however the absence of student engagement would be monitored through compliance procedures and may prompt an investigation of student 'genuineness' and the possible re-crediting of debts. This stage would commence on 1 July 2017 allowing for necessary enhancements to the eCAF and aligning with the introduction of private providers into the new loan scheme.

For the second stage, the legislation would be drafted to allow the student engagement requirement to be tied to payments in the future, following development of a new IT system.

Introduce enhanced eligibility and ongoing quality requirements for providers

New application process

All private VET FEE-HELP providers, and any new providers, would be required to apply to participate in the new loan scheme and meet the new eligibility requirements.

The redesigned scheme would comprise streamlined and stronger eligibility and assessment criteria for RTOs seeking to offer eligible courses, which would include applicants making a business case against the following criteria:

- Links with industry. Evidence would include an assessment of the applicant's relationship with peak bodies and employers, and references from industry and employer groups.
- Student outcomes. Evidence would include data on completion rates, at the course and unit level, data on student outcomes and student satisfaction, and plans on how they will continuously improve upon completion rates and student outcomes.
- Three year track record. Evidence could include a sound history delivering state subsidised courses, capability to report data accurately and on-time, data on student complaints, and ASQA compliance history.
- Course scope and fees. Evidence would include the courses they wish to access the new loan scheme for (including mode of delivery for each course and whether any courses 'nest' lower AQF level courses); fees charged for each course; the estimated number of enrolments within each course; and arrangements regarding the offering of multiple enrolments for individual students.

In addition, applicants would need to provide documentation regarding the following two requirements:

- Financial performance. Evidence would include audited general purpose financial reports from the last three years, or where the applicant forms part of a larger corporate network, consolidated financial statements for the group.
- Strong management and governance. Applicants will be required to list persons of influence. Each person listed may be subject to a fit and proper person check.

The new application process would replace the existing system. As such, some requirements under the VET FEE-HELP scheme, such as the requirement to provide copies of policies as part of the application, will be removed.

Excluding minor clarifications and exceptional circumstances, the department would not issue Requests for Information to applicants as it currently does, so the onus is on applicants to include all relevant material that supports their application. Where an application is incomplete or fails to meet the assessment criteria, it would not be accepted and the applicant would be advised to re-submit their application in the next application round (the following year).

The new loan scheme provider approval process would change from the current rolling process to a single, annual, application round. As such, this will replace the current rule that allows failed applicants to reapply after six months.

Annual estimate of loans and delivery
As an ongoing annual requirement, approved providers would be required to submit an estimate of likely loans and delivery for that coming year, including:

- Estimated number of student enrolments for the following year
- Estimated number of student enrolments within each course being offered
- Courses to be offered (including mode of delivery for each course and whether any courses ‘nest’ lower AQF level courses)
- Fees for courses
- Arrangements regarding the offering of Double Diplomas and multiple enrolments for individual students.

Registration fee
New loan scheme applicants would also be required to pay a registration fee to partially recover the cost of the assessment process.

Time-limited approval
Successful providers would be approved to offer the new loan scheme for a period of no more than seven years, after which they would be required to re-apply for approval.

Make payments to providers in arrears
All new loan scheme providers would be paid monthly in arrears based on Chief Financial Officer (CFO) authorised and verified data. This is a change from current arrangements where providers are paid monthly in advance, based on a yearly estimate of student enrolments and reconciled up to twice a year.

This arrangement would contribute to greater integrity of the scheme by ensuring loan payments are only paid to providers for actual enrolments and census dates passed. It would also better manage program risk by ensuring providers have suitable business and cash-flow arrangements in place to support an arrears payment model and are not solely reliant on the new loan scheme to operate.

New Legislation for the new loan scheme
New standalone legislation would underpin the new loan scheme. The legislation would provide the Government with robust powers to quickly investigate and take action to address poor provider performance, non-compliance and enrolment of non-genuine students.

1. *Enhanced investigation and compliance powers.* The new legislation would enact the following:
    a. The legislation would clearly define the Government’s right to freeze payments to providers.
        - The Government would be able to freeze payments in the event of poor performance, non-compliance or suspected non-compliance, and suspected non-genuine students, pending a resolution of an investigation.

    b. The legislation would lower the threshold by which the Government may suspend a provider’s new loan scheme approval on the basis of poor provider performance (and/or reasonable satisfaction that there has been non-compliance with the legislation, Guidelines and conditions) without the prerequisite of having to first audit the provider.
    c. The legislation would state that students affected by a suspension or revocation will continue to be supported to find a new provider or, in exceptional circumstances only, to receive a

refund for currently enrolled units. The priority will be the placement of students with a new provider.

2. *New powers to re-credit student debts.* The legislation would enable the Secretary to re-credit all student debts that have arisen where a particular enrolment, cohort (or group) of enrolments have been deemed as not genuine.
    a. The legislation would outline the circumstances where an enrolment(s), unit(s) or course(s) are deemed not genuine. For example, when there is evidence of non-compliant enrolment practices, evidence of poor level of engagement or low completion rates.
    b. The legislation would allow re-credited debts to be recovered from the provider.
3. *Strong search and seizure powers*. The legislation would provide the Government with greater powers to undertake search and seizure operations to inform decision making, and also allow for search and seizures to be undertaken post revocation of new loan scheme approval.
4. *Retention of documentation and record keeping.* The legislation would compel providers to retain all new loan scheme student records (e.g. proof of citizenship documentation, and all enrolment, attendance, log-in and assessments records) for a specified period of time following a student's graduation or withdrawal from the provider.
5. *Advertising and marketing activities*. Through legislation, remove the ability for providers to contact potential students directly – students must make the first contact to express an interest in a course. This includes explicitly regulating that student consent to a third party forwarding contact details to a provider is not valid.
6. *Providers cannot seek outstanding tuition from students*. Legislation would ensure providers are not entitled to seek outstanding tuition from students when or if their new loan scheme approval is suspended, revoked, payments frozen or debts re-credited and recovered from providers.
7. *Accountability on the part of providers*. The legislation would bring clarity as to what a provider can and cannot do on behalf of a student, thereby providing clear indication of breaches by providers.
8. *Better information for students*. The legislation will require providers to publish information on quality (such as completion rates and student outcomes) on MySkills.

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EXAMPLE

The following are examples of circumstances that may trigger an investigation by the department and lead to exercise of powers provided by new and stronger legislation:

- Non-compliance with the new legislation and associated legislative instruments
- Rapid student growth, particularly of a specific student cohort
- Unusual expansion of course offerings
- Low unit of study and course completion rates
- High numbers of complaints
- Low student engagement
- Data submission issues, i.e. failure to provide or low quality
- Unfavourable audit/investigation outcome
- Failure to respond to ROIs
- Intelligence from other regulatory bodies.

EXAMPLE

A newspaper publishes an article asserting poor practices by a new loan scheme provider. In response, the department issues the provider a notice requesting further information in respect of the allegations. The department determines the provider's response to the notice for further information does not adequately address the concerns of the department, and decides to freeze payments while undertaking further investigations.

Under the new loan scheme, the department also has the power to suspend a provider and prevent the provider from enrolling new students, and can re-credit all student debts that have arisen where a cohort of students has been deemed not genuine.

Power to apply conditions on approval

The new legislation would provide the Government with the power, on a case by case basis, to control unacceptable growth through the application of an annual loan cap. This would allow the Government to limit individual provider growth while still allowing a managed market approach.

The new legislation would also provide the Government with the power to place other conditions, such as restricting the scope of delivery of courses which a provider can offer under the scheme and restricting a provider's ability to deliver multiple courses concurrently to individual students (such as Double Diplomas).

Limit scope of third party training arrangements

Approved providers would only be permitted to subcontract training to other approved new loan scheme providers or higher education providers approved by the Tertiary Education Quality and Standards Agency (TESQA). This would ensure subcontracting arrangements are also subject to quality and regulatory scrutiny which aligns with other measures in this proposal, and improve Government oversight and regulation of the scheme.

Prohibit brokers

Approved providers would be prohibited from using brokers or marketing agents to interact or engage with students at enrolment, or any other time throughout their training. This would ensure enrolment processes and student engagement are the sole responsibility of approved providers and students are better protected against misleading, inaccurate and inappropriate marketing.

This would ensure there would no longer be opportunities for unregulated entities to benefit from the scheme while avoiding its regulation and compliance requirements and scrutiny. It also ensures providers are involved in their recruitment and enrolment practices and take full responsibility for how they are undertaken.

Amended student entry requirements

Student entry requirements would be extended to include recognition of an Australian Qualifications Framework (AQF) level four qualification or above. For all other students, the existing Language Literacy and Numeracy (LLN) assessment requirements in place from 1 January 2016 would continue.

Maintain alignment with HELP

Ensuring cohesion between the shared elements of HELP is critical as students move between higher education and VET throughout their education experience. Therefore, under this option, the current lifetime loan limit, repayment threshold and rates and the loan fee will apply to the new loan scheme.

2.2 Option 2 – Non regulatory reform with increased focus on information to improve student understanding of VET FEE-HELP and address information asymmetry

OVERVIEW

Option 2 involves minimal reform to the current design of the VET FEE-HELP scheme, but rather focuses on improving the quality of public information about the scheme, particularly for students. The underpinning principle being students that have appropriate information at their disposal, are better able to make informed decisions about the courses they wish to undertake and the providers they seek to purchase from.

Option 2 measures that are the same as Option 1

Under Option 2, the following non-regulatory reforms are the same as Option 1:

- Amend student entry requirements
- Make payments to providers in arrears based on verified data.
- Maintain alignment with HELP

Enhanced public information about the scheme

Option 2 would focus on improving the quality of public information about the scheme, particularly for students. This option would better inform students about provider quality and course costs, the nature of VET FEE-HELP (an income contingent loan scheme that needs to be repaid), and their rights and obligations under consumer law. The current enhanced compliance and audit measures already in place for providers would remain. This option is largely non-regulatory.

Under this option, new and enhanced information materials would be developed to ensure students can operate as informed consumers or purchasers. Addressing the current information asymmetry through these enhanced materials will include:

- Detailed information on loans such as length of time to repay, repayment thresholds and repayment rates.
- Information on prices being charged for each course, broken down by component (tuition fee, administration fees, and other fees) and provided in a way to allow for ease of comparison.
- Earning potential and job vacancy rates.

With appropriate information at their disposal, it is expected students will be better able to make informed decisions about the courses they undertake and the providers they purchase from. A central element of this approach is that students should be encouraged to shop around on price and quality by using MySkills or other aggregation sites that allow comparisons of providers. Providers will be incentivised to raise quality and compete on price, as they will be faced with a more informed consumer, empowered to more critically question product descriptions and marketing assertions.

It is expected that more accurately informed students will have a better understanding of the risks and benefits of taking out a VET FEE-HELP loan before they have incurred the debt. Through this enhanced information approach, all students will better understand their obligations under the VET FEE-HELP scheme including the repayment threshold, repayment rates and census dates.

Improved quality of information materials would provide students with knowledge of their obligations and rights under consumer law, while informing them of their options and avenues should problems arise.

This option would maintain current levels of compliance and investigation. That is, providers would be required to respond to request for information, participate and provide information during an audit, payments paused where there is concern about performance, and reporting of student data to the department on a regular basis.

It is expected that while Option 2 would help empower students and remove poor provider behaviour, it would not sufficiently address fundamental issues in the VET FEE-HELP scheme. In particular, better student information and enhanced compliance is unlikely to lead to lower fees or better completion rates, as the nature of VET FEE-HELP dulls price signals and payments to providers are tied to enrolments not completions. Further, while aggregation websites currently publish cost, course, and VET FEE-HELP information, most students are unlikely to utilise these sources of information as they typically do not allow for ready comparisons between providers or courses, and are often silent on key metrics such as quality.

Removal of provider cap

Given a more informed student cohort and a move to an arrears payment model, the current freeze on provider loan growth would be removed. This would provide greater opportunity for new providers to enter the scheme and new students to benefit from it.

2.3 Option 3 – Continuing with business as usual

While additional regulatory action or legislative change would not be required; if the status quo is maintained, the problems outlined in Chapter 1 would persist and the scheme would continue to operate within its existing design.

In particular, VET FEE-HELP funding to providers would continue to be frozen at 2015 levels, which, combined with the legislated trading history, would continue to prevent new providers from entering the scheme.

Continuing with business as usual would also mean providers would continue to charge exorbitant fees for courses, which may not have any relationship to their true cost and the Government would be required to pay those fees on behalf of the student. This provides little protection for students who are de-sensitised to the price of courses due to the deferred nature of the loan. It also does not address concerns for the scheme’s long term fiscal sustainability.

Similarly, students would continue to incur debts resulting from loan payments made to their training provider, irrespective of their engagement in the training. This means the Government would continue paying loans for students who are not acquiring the benefits from training to subsequently return to the economy through employment.

3. Impact analysis

This section describes the impacts of the proposed options. An overview of the costs and benefits, stakeholders impacted and issues associated with each option is provided below.

3.1 Option 1 - Regulatory reform with stronger focus on student engagement, course affordability and provider quality

KEY IMPACTS

This option would:
- Address rapidly rising course costs, reflect true delivery cost, and provide greater protection to students by putting downward pressure on fees
- Ensure loans are only provided to students genuinely engaged in their course with a willingness to incur the associated debt
- Address significant student issues arising from unscrupulous provider practices
- Generate greater integrity of the scheme while better managing program risk
- Increase course quality, fiscal sustainability, and provider compliance.

The department estimates the average annual regulatory saving of Option 1 (preferred) over ten years as around $853,000.

Option 1 would return positive impacts for students, with only a minor regulatory impact associated with the new student engagement requirement. For some examples of the impacts of Option 1 on students, see Box 1. The impacts from a regulatory and non- regulatory viewpoint are detailed further below.

Regulatory

Extended student entry requirements would result in a favourable regulatory outcome for new loan scheme students. That is, students seeking new loan scheme assistance that hold qualifications at Australian Quality Framework level 4 or above would not be required to complete the LLN test. This is a regulatory saving, as those students are currently required to undertake the LLN test if they are not able to demonstrate that they have completed secondary schooling to a year 12 level. This deregulatory measure is expected to positively impact approximately 20,000 students each year (based on VET FEE-HELP data).

The introduction of a new student engagement requirement would create a small regulatory cost for students. The student log in would occur via an online portal and would take approximately five minutes to complete, aligned with the beginning of each fee period. This process is aimed at students demonstrating that they are engaged, wish to continue with their study, accept the new portion of the loan, and are a genuine student. This small regulatory cost to students is balanced by:
- Increased awareness of students that their study is not free but a government loan that must be repaid
- An increase in enrolment of genuine students by providers
- Encouragement of increased completion rates among engaged students.

Existing VET FEE-HELP students, who elect to do so, will be able to continue accessing their current arrangements until the end of 2017 (see Implementation). It is estimated that approximately 50,000 existing students will choose this option, based on the number of VET FEE-HELP students who continued from 2014 into 2015.

The introduction of loan course caps will mean some students will face upfront, out of pocket costs if their provider charges fees above the cap. It is not possible to estimate the numbers of students that will face up front costs as the course list has not been finalised. However, it is expected that the introduction of caps and a competitive market will drive down fees, and therefore the impact on students in terms of out of pocket costs may be subdued. Further, students will have the option to decide to study with a provider that does not price fees above the loan caps and which does not result in out of pocket expenses for students.

The department estimates the annual regulatory impact for students (over ten years) under Option 1 to be a $176,200 saving as detailed in Section 3.4.

Under Option 1, there are several regulatory impacts that affect providers. These include costs associated with:

- New compliance and reporting arrangements
- A requirement for all private providers who wish to participate in the new scheme to apply
- New requirements to respond to increased ROIs and report monthly on student data.

However, these regulatory costs will ensure greater transparency for students, government and the taxpayer and boost provider quality. For some examples of the impacts of Option 1 on providers, see Boxes 2 and 3.

The new loan scheme would also include a small regulatory saving, as there would be no caps placed on provider loan growth. As such, providers would no longer be required to continually monitor loan amounts against their allocated cap, saving an administrative burden and enabling greater focus on delivering quality courses. This measure is estimated to impact approximately 130 providers each year based on the operation of VET FEE-HELP.

The remodelled application process for providers includes the removal for providers to supply copies of policies. This would result in a positive impact for providers wishing to enter the scheme through reduced complexity and shorter assessment timeframes. This measure is estimated to impact approximately 150 providers each year based on the operation of VET FEE-HELP.

Applying to become a new loan scheme provider would result in a regulatory cost for a majority of private providers. Technical and further education (TAFE) providers and publically owned RTOs would be allowed to operate under the new loan scheme without undertaking an application process. In addition some high quality private providers will be deemed approved for six months during the transition period as they undertake the application process. The six month transition period will aim to minimise any market or competition impacts and ensure only low risk, high quality providers are approved and will eliminate poor providers; better protecting students, the Government and the taxpayer.

The application of loan caps on courses is expected to result in an increased regulatory cost to providers, however this has not been quantified because of insufficient data on provider market behaviour, and because the eligible course list has not been finalised.

The arrears payment model and the limiting of third party training providers may require providers to adjust their business practices. Such adjustments would ensure providers have adequate business models in place without relying on the new loan scheme payments to operate. This will impact all providers operating under the new scheme.

Finally, as many providers are preparing for 2017 commencements at the same time as the introduction of the new loan scheme in late 2016, they may have limited time to amend their marketing and enrolment materials.

The department estimates the annual regulatory impact (over ten years) for providers under Option 1 would be a $676,800 saving as detailed in Section 3.4. This is based on a number of assumptions, including that the 200 private providers approved under the VET FEE-HELP scheme will be required to apply to provide the new scheme. It would take two junior administrators approximately 40 hours each to complete and submit the application to the department, leading to a regulatory cost of $144,455. However, significant efficiencies are achieved by a streamlining of the current application process, leading to a regulatory saving of $818,455. Further savings are also achieved through the removal of provider-level loan caps, and the requirement for providers to apply for any increase in those caps.

Non-Regulatory

Under Option 1, students would be protected from accumulating high debts from the new loan scheme. They would have an increased choice regarding training options, which would likely lead to greater course completion rates which would correlate with post-training employment outcomes.

The application of loan caps on courses would have no regulatory impact on students and is expected to act as a price signal for students to shop around for best value for money. Loan caps are also likely to put downward pressure on tuition fees which would lead to a favourable outcome for students.

For this Option, there are a number of non-regulatory impacts that affect providers.

Having a stronger legislation and compliance activity requirement will enable to the Government to use enhanced powers to quickly investigate and take action to address poor provider performance, non-compliance and non-genuine students. It is noted that the rapid introduction of the new loan scheme could mean several providers may struggle to adapt in time. Some providers may need to quickly change their business models to account for the new course loan caps or restrictions on the use of brokers and third party training providers.

The changes to the eligible course list may lead to some providers changing their course mix, for example removing ineligible courses and offering eligible courses. The impact of this on student demand, and the extent to which providers will change their course mix, has not been modelled as there is insufficient data on provider and student behaviour.

Box 1: Student examples

Continuing student who is currently enrolled in an eligible course

- Jessica is an unemployed parent who is studying part time in Diploma A which costs $18,000.
- Jessica has completed one year of her two year Diploma and is currently using a VET FEE-HELP loan to pay for her tuition fees.
- Under the *Higher Education Support Act 2003* (HESA) transitional arrangements, Jessica chooses to grandfather her existing VET FEE-HELP arrangements until 31 December 2017.
- If Jessica does not complete her course by 31 December 2017, she will no longer be able to access VET FEE-HELP. However, Jessica will be able to apply for a loan under the new scheme to complete outstanding units (assumption: Jessica's provider is an approved provider).
- This means that census dates for units before 31 December 2017 would be eligible for VET FEE-HELP while those afterwards would be eligible for a loan under the new loan scheme.
- The regulatory impacts for Jessica would be close to zero, with a marginal impact due to needing to actively choose to grandfather her VET FEE-HELP arrangements.

Continuing student who is currently enrolled in a non-eligible course

- Adeline is employed casually and is enrolled in Diploma B which costs $19,000.
- Adeline has completed one term of her course and is using a VET FEE-HELP loan to pay for her tuition fees. Adeline's course is not eligible for loans under the new scheme.
- Under the *Higher Education Support Act 2003* (HESA) transitional arrangements, Adeline chooses to grandfather their existing VET FEE-HELP arrangements until 31 December 2017.
- If Adeline does not complete their course by 31 December 2017, she will no longer be able to access VET FEE-HELP.
- The regulatory impacts for Adeline would be close to zero, with a marginal impact due to needing to actively choose to grandfather her VET FEE-HELP arrangements.

Student commencing in 2017 at a private provider (tuition fees above the cap)

- In February 2017 Jose commenced Diploma C which costs $21,000.
- Jose chooses to access the new scheme to fund his training. The maximum loan amount Jose can access for this course is $15,000, meaning he will need to pay the $6,000 gap.
- Jose's provider is successful in the application round for the new scheme, and he progresses through his course, incurring the debt at each census date. Once Jose exceeds his loan cap, he chooses to pay for his remaining units out of his own pocket.
- The regulatory impacts for Jose would be effectively zero.

Box 2: Provider example

Current TAFE provider that will be rolled over into the new scheme

- TAFE Australia is a current VET FEE-HELP provider, offering a wide range of courses that students can pay for with a VET FEE-HELP loan.
- As a public provider, TAFE Australia's current VET FEE-HELP approval will be 'rolled over' to the new scheme.
- TAFE Australia will not be required to apply for access to the transitional trial period, or submit a formal application during the formal application round in the first half of 2017.
- From 1 January 2017 TAFE Australia will be able to enrol eligible students under the new scheme.
- Furthermore, TAFE Australia's existing VET FEE-HELP students will have the option to elect to continue their study under current VET FEE-HELP arrangements until 31 December 2017.
- Some courses currently eligible for VET FEE-HELP assistance will no longer be eligible under the new scheme, as eligible courses will be restricted to those that have a high national priority, align with industry needs and lead to employment outcomes.
- As such, TAFE Australia may make changes to its scope of delivery to align with courses that are eligible for assistance under the new scheme. TAFE Australia may choose to stop offering some courses if they are not eligible under the new scheme.
- The new scheme will also see the introduction of maximum loan caps on eligible courses to address rising course fees.
- While this will not prevent TAFE Australia from setting tuition fees above the loan cap, it will set a ceiling on the maximum loan amount the government will provide a student for a specific course.
- Were TAFE Australia to charge fees above the cap, its students would be required to meet the difference as an upfront cost.
- Under the new scheme TAFE Australia will be subject to an annual registration charge, and be required to submit an annual detailed estimate of its student enrolments, course offerings and fee arrangements for the coming year.
- Furthermore, TAFE Australia will be paid monthly and in arrears of reporting actual and verified post-census data. The submission and verification of data will be the ultimate responsibility of a person of influence, such as their Chief Financial Officer. Each submission of data will need to be accompanied by a statutory declaration attesting to the veracity of the data.
- The approximate regulatory impacts for TAFE Australia would be a $1,000 cost per year due to the introduction of monthly reporting and payments in arrears and a $3,000 saving per year due to the removal of the provider loan cap.

Box 3: Provider examples (cont.)

Current private VET FEE-HELP provider

- Private provider XYZ is an approved VET FEE-HELP provider offering three currently eligible Diplomas: A, B and C.
- Under the new scheme, some courses currently eligible for VET FEE-HELP will no longer be eligible. For provider XYZ, this includes Diploma C. As a result, it is expected that provider XYZ will discontinue offering this Diploma.
- The new scheme will also see the introduction of loan caps on these eligible courses. It is expected that Diploma A will fall into the $10,000 band.
- Provider XYZ currently charges $18,000 for Diploma A. If this provider continues to charge this amount, its students would be required to meet the difference of $8,000.
- Provider XYZ will be required to submit an expression of interest notifying the Government of its interest in participating in the 6 month trial of the new scheme in the first half of 2017.
- If accepted, provider XYZ will be able to enrol eligible students under the new scheme from 1 January 2017, and will need to submit a formal application during the application round in the first half of 2017 should it wish to continue accessing the new scheme post 30 June 2017.
- Provider XYZ's existing VET FEE-HELP students will have the option to elect to continue their studies under current VET FEE-HELP arrangements until 31 December 2017.
- Under the new scheme provider XYZ will be subject to an annual registration charge, and be required to submit an annual detailed estimate of its student enrolments, course offerings and fee arrangements for the coming year.
- Provider XYZ will be paid monthly and in arrears of reporting actual and verified post-census data. The submission and verification of data will be the ultimate responsibility of a person of influence, such as the Director of provider XYZ. Each submission of data will need to be accompanied by a statutory declaration attesting to the veracity of the data.
- The approximate regulatory impacts for provider XYZ would be a one-off $8,000 cost due to the need to apply for the new scheme and the introduction of monthly reporting and payments in arrears, and a $3,000 saving per year due to the removal of the provider loan cap.

New private provider seeking approval in the application round in early 2017.

- An approved registered training organisation (RTO), RTO 1, has been operating as such for four years. RTO 1's area of expertise is in information technology and engineering, has strong links with industry, and their Diploma A graduates are highly valued by employers.
- RTO 1 wishes to apply to operate under the new scheme. As it is not a current VET FEE-HELP provider it will need to apply in the formal application round during the first half of 2017.
- If successful, RTO 1 can begin enrolling students in eligible courses under the new scheme from July 1 2017. Depending on the strength of its application, RTO 1 may be approved for a period of up to seven years. Under the new scheme, RTO 1 will be subject to an annual registration charge and be required to submit an annual detailed estimate of its student enrolments, course offerings and fee arrangements for the coming year.
- RTO 1 will be paid monthly and in arrears of reporting actual and verified post-census data. The submission and verification of data will be the ultimate responsibility of a person of influence, such as the Chief Executive Officer of RTO 1. Each submission of data will need to be accompanied by a statutory declaration attesting to the veracity of the data.
- The approximate regulatory impacts for RTO 1 would include a $3,000 saving due to the removal of the provider caps, and a $1,000 cost per year due to the introduction of monthly reporting and payments in arrears.

3.2 Option 2 – Non regulatory reform with increased focus on information to improve student understanding of VET FEE-HELP and address information asymmetry

KEY IMPACTS

Under Option 2, some regulatory and non-regulatory impacts for students and providers would be the same as Option 1:

- Extended student entry requirements would result in a regulatory saving for students, exempting those that hold AQF level 4 or above qualifications from taking the LLN test.
- A payment in arrears model would result in regulatory cost to providers, as some providers may be required to adjust their business practices.
- The removal of the provider loan cap would deliver a regulatory saving to providers, as the need to monitor loan amounts would no longer apply as well as the administrative burden associated with applying for an increase.
- Implementation of course loan caps would result in an increased regulatory cost for providers
- The requirement to report monthly student data would result in a regulatory cost for providers as this represents an increase from the current reporting requirements.

The department estimates an average net annual regulatory saving, over ten years, of $162,400 under Option 2.

Regulatory

The requirement for new and enhanced information materials would result in a favourable regulatory outcome for VET FEE-HELP students.

Removal of the provider loan cap would also deliver a regulatory saving to providers as they would no longer be required to continually monitor loan amounts against their allocated cap, saving administrative burden and enabling greater focus on delivering quality courses.

Similar to Option 1, a regulatory saving would also apply for providers seeking an increase to their cap allocation as the administrative burden associated with preparing an application to the department for consideration would be removed.

The same applies for the implementation of loan caps on courses which is expected to result in an increased regulatory cost to providers, however this has not been fully quantified.

The impact on the Government would be the cost of developing and distributing communication materials. The cost has not been quantified but is likely to be in the same order of magnitude as the Communication Campaign implemented as part of the 2015 and 2016 VET FEE-HELP Reforms.

Non-Regulatory

With more accessible and suitable available information, students would save time searching between multiple websites and resources to find the information they need. Students would be better informed about providers and courses, empowered to shop around and critically question product descriptions and marketing assertions. While not incurring regulatory costs, providers will be incentivised to accurately align course cost with delivery cost.

Under Option 2, the department estimates the annual regulatory impact, over ten years, for students would be a $350,000 saving and for providers a $187,600 cost.

The department estimates an average net annual regulatory saving, over ten years, of $162,400 under Option 2 as detailed in Section 3.4.

3.3 Option 3 – Continuing with business as usual

Maintaining the status quo would result in no additional regulatory cost to VET FEE-HELP students or providers. However, the adverse outcomes resulting from rapidly rising course costs and loan values, high student attrition and low completion rates, varying provider quality and limited legislative powers would persist.

The regulatory impact on VET FEE-HELP students and providers would be unchanged, thus the annual regulatory impact would be $0.

3.4 Regulatory impacts comparison

Option	**Net provider cost** (per year over 10 years)	**Net student cost** (per year over 10 years)	**Total Net Cost/Saving** (per year over 10 years)
1 (preferred)	-$676,800	-$176,200	**$853,000** net saving
2	$187,600	-$350,000	**$162,432** net saving
3	$0	$0	**$0** net impact

Australian Government

4. Consultation

4.1 Consultations to date

Extensive consultations have been undertaken to engage stakeholders through the development of the VET FEE-HELP redesign. This includes face to face consultations hosted by the former Minister for Vocational Education and Skills, Senator the Hon Scott Ryan, a public submissions process, and meetings with Australian Government state and territory counterparts.

The former Minister for Vocational Education and Skills hosted a series of consultations on the VET FEE-HELP redesign in early April 2016 in Perth, Adelaide, Melbourne, Sydney, Brisbane and Cairns. All VET FEE-HELP approved providers were invited to attend one of the consultations. Peak bodies, including TAFE Directors Australia, Australian Council for Private Education and Training, Australian Chamber of Commerce and Industry and State Chambers of Commerce and Industry were also invited. A total of 268 people and 176 providers attended the consultations, which represents approximately 60 per cent of all approved VET FEE-HELP providers.

Feedback from the consultations informed the development of the *Redesigning VET FEE-HELP* discussion paper. The discussion paper explored a broad range of issues in the scheme and presented potential solutions to address them. The discussion paper invited submissions from all interested parties including VET FEE-HELP providers, peak bodies, students, industry and state and territory governments.

A total of 121 submissions were received. Of these, over half were from VET FEE-HELP providers and around 10 per cent were from peak training organisations. The other submissions were from a range of other organisations, individuals, consumer advocate groups and government agencies.

The department assessed the outcomes from the consultations and the feedback from stakeholder submissions. This analysis has been used to inform the development of the options outlined in this RIS. A summary of the key findings from the submissions is below:

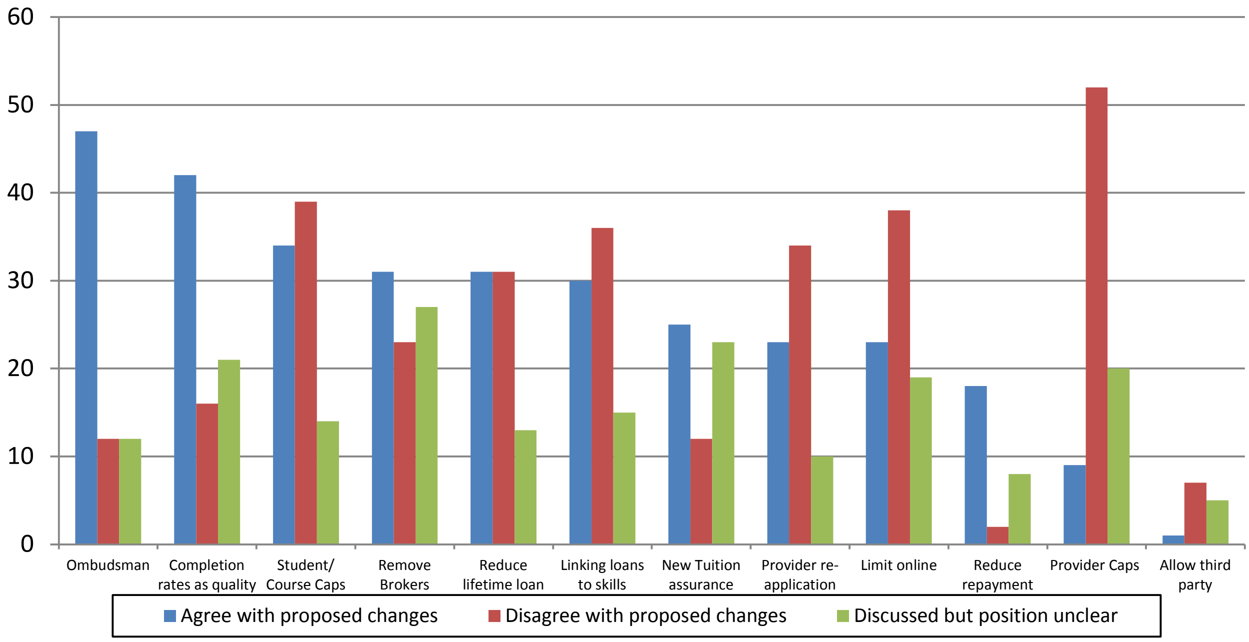
- Course caps: Views were mixed regarding capping course prices or introducing maximum loan values on courses. Of the stakeholders that supported course caps, most noted exemptions should apply for high delivery cost courses.
- Provider caps: Stakeholders broadly disagreed with continuing to apply a total cap on provider loan values, or continuing with the existing cap.
- Linking loans to skills in demand: There was some support for limiting course eligibility to skills that align with industry needs. However, many providers argued it would limit innovation and ability to respond to changing market needs.
- Third party providers: There was support for banning third party provider arrangements.
- Brokers: Responses regarding the role of brokers were mixed. Some stakeholders noted the benefits they provide to the sector but called for better regulation while others argued for a ban on brokers.
- Online learning: Where stakeholders commented on mode of delivery, most argued for online training to be treated the same way as face-to-face training, arguing it does not come with reduced delivery costs.

- Tuition Assurance: Approximately half of all submissions provided comment on tuition assurance, although views were mixed regarding the need for new arrangements.
- Lifetime limit: Where stakeholders commented on the lifetime loan limit there was broad support for a reduced limit to apply for VET FEE-HELP. However, dual sector providers commented on the broader implications and interactions with other aspects of the HELP program.
- Ombudsman: There was strong support for a student support mechanism, either through an ombudsman, ASQA or department complaints handling function.
- Completion rates to measure quality: Most stakeholders supported the use of completion rates as a measure of quality.
- Provider re-application: Most stakeholders, particularly providers, did not support a re-application process, arguing it would be costly and quality and non-compliance could be better managed through a higher bar to entry and better compliance regime.

While views expressed through these consultations were broadly similar across stakeholder groups, there were some differences on particular matters:

- Consumer advocates, for example, supported measures to ensure that students are enrolled in courses which suit their needs and abilities.
- Most VET FEE-HELP providers were not supportive of a re-application process and recommended better regulation of brokers rather than an outright ban.
- While many submissions recommended a separate VET FEE-HELP loan limit, some dual sector providers suggested that a separate lifetime loan limit would introduce further complexity for both students and providers.

Figure 1: Stakeholder Submission Feedback



The department has also discussed the VET FEE-HELP redesign with senior officials from state and territory training departments. Those meetings helped to identify key issues of concern in different jurisdictions. They also provided an opportunity for states and territories to discuss their own subsidised training schemes and to share ‘lessons learnt’ from their perspectives.

The discussion paper outlined three broad themes for change including: protecting students, regulating providers and managing the system. Submissions are summarised against these headings.

4.2 Summary

The options presented in this RIS were informed by these consultations. An evaluation and explanation of the stakeholder submissions to the discussion paper and the consequent redesign policy outcomes are outlined in Table 3.

Table 3: Redesigning VET FEE-HELP Discussion Paper proposals and redesign policy outcomes

Section	Selected Key Issues	Decision/explanation
Protecting students	Student eligibility to access loan – page 35	• The discussion paper proposed options for further student eligibility requirements and changes to the Language, Literacy and Numeracy (LLN) assessment. • Students who hold Certificate IV and above qualifications (for example, a Bachelor's degree), will be exempt from completing the LLN test in the new scheme. • The level of education required to complete such a course justifies the exemption for these students.
	Lifetime loan limits – page 36	• The discussion paper explored potential changes to the lifetime loan limit as an option to reduce growing student debts and high rates of doubtful debt. • The new scheme will not impose a reduced lifetime loan limit for VET students and the combined FEE-HELP limit will remain. Ensuring cohesion between the shared elements of HELP is critical as students move between higher education and VET throughout their education experience. Any changes to the lifetime loan limit that result from reforms to the higher education sector will be applied consistently to the redesigned VET loans scheme. • Additionally, course caps and a student engagement measure are more effective ways of protecting the student from accumulating large debts.
	Addressing course costs – page 37	• The discussion paper introduced possible options for controlling rapid fee growth. • Calculating 'reasonable' course costs would require long lead times to undertake analysis, and as such prevents the Government from immediately addressing rising course costs. • Therefore, the NSW Smart and Skilled price model is suitable to use as the basis for forming the decided three bands of loan caps. Once determined, the three bands were crossed checked with actual VFH data, averaged across 2011 – 2014 to ensure they were fit for purpose.
	Improved information for consumers – page 39	• The discussion paper noted the need for improved and suitable information for consumers. • As part of the enhanced eligibility and reporting requirements, providers will be required to include information about their track record, student satisfaction and completion rates, expected course offerings and fee structure. • The Government will publish this information which will directly serve as improved information for consumers.
	Brokers and agents – page 39	• The discussion paper discussed the adverse effects that resulted for students where providers used brokers and agents. • As such, providers will be banned from using brokers in the new scheme. Students will have access to improved information through enhanced provider reporting requirements noted above. This also includes banning providers from contacting potential students directly seeking enrolments.
Regulating providers	Current statutory framework – page 42	• The discussion paper highlights the weaknesses of the *Higher Education Support Act 2003* in allowing the Government to address poor provider performance and misconduct. • New and standalone legislation will be developed to underpin the new loans scheme and will provide Government will much stronger powers to quickly address these issues. • These powers include the ability to freeze payments, cap provider loan amounts on a case by case basis, and suspend and revoke approval status.
	Use of maximum scheme or provider loan caps – page 43	• The discussion paper outlined options on how caps on providers could be used to manage growth but not restrict long term planning and ability to respond to changing industry needs. • In the new scheme, rather than cap all providers from the outset, the Minister for Education and Training will have the power to cap individual providers on a case by case basis. • As part of new reporting requirements, providers will be required to submit annual estimates of course offerings, fee structures and student enrolments. The Minister will have the power to cap providers based on these estimates (or a variation of them) or when there has been significant deviation from an estimate throughout the year. This approach balances growth management with flexibility for providers.
	Student engagement requirement – page 44	• The discussion paper explored options for how Government could ensure loans are only provided to students engaged and working towards completion.

Section	Selected Key Issues	Decision/explanation
		• To ensure the Government is not paying loans for non-genuine students and providers are not disadvantaged where a student fails to complete, student engagement will be tied to the students' individual electronic Commonwealth Assistance Form. This measure will initially be introduced to test the student is genuine, and will be tied to the payment of loans in the future.
	Re-application for new scheme by all providers – page 45	• The discussion paper considered whether all providers should reapply under the new scheme's enhanced eligibility requirements. • TAFEs, publically owned registered training organisations (RTOs) and universities will be granted automatic access to the new scheme. • All other providers will need to apply for access to the new scheme in 2017.
Managing the system	Courses to be funded – page 46	• The discussion paper sought feedback on how to determine course eligibility under the new scheme, noting the Government, and as such, taxpayers, are currently paying for students to study courses that have limited public good. • The new scheme will limit course eligibility to courses that have a high national priority, meet industry needs, contribute to addressing skills shortages and align with strong employment outcomes. This will ensure the Government's investment in VET is better targeted and large loan amounts are no longer paid to courses that have limited public good.
	Information on performance – page 47	• The discussion paper identifies issues with data lags and the lack of real time data which leads to limitations in the Government's ability to be responsive to issues. • The new scheme will require providers to report data monthly and will also require annual estimates from providers detailing course offerings, fee structures and student enrolments. • Enhanced data will allow greater compliance monitoring and quicker action to address poor provider performance and misconduct.
	Tuition assurance arrangements – page 48	• The discussion paper invited feedback on how tuition assurance should be arranged in the new scheme. • The new scheme will build on the existing tuition assurance arrangements ensuring the scheme is more robust. This will be achieved through greater reporting and penalties for providers where they fail to meet necessary requirements.

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5. Implementation and evaluation of Options

5.1 Evaluation of Options

The *Redesigning VET FEE-HELP discussion paper* set out key principles that would shape a new scheme. Each option was assessed against these principles as shown in the table below. Based on this comparison, and the regulatory and non-regulatory impacts outlined in preceding sections, Option 1, a redesigned loan scheme, underpinned by strong legislation and effective compliance, best meets the Government's objective and is the preferred option. Neither the non-regulatory option (Option 2) nor the status quo (Option 3) would satisfactorily protect students from high debts, improve course completion rates, align courses to industry needs, or ensure the integrity and sustainability of the scheme.

Table 4: Comparison of Options against design principles

PRINCIPLES	OPTION 1	OPTION 2	OPTION 3
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.	☑	☒	☒

5.2 Implementation and transition of preferred Option (Option 1)

The introduction of the measures in this proposal will require the passage of new and standalone legislation, as well as minor amendments to the HESA.

Legislation will be introduced into Parliament in the 2016 Spring sitting and subject to passage, the new loan scheme will commence on 1 January 2017. The VET FEE-HELP scheme will in effect cease on 31 December 2016.

With the exception of the student engagement requirement, all of the measures outlined in Option 1 will commence from 1 January 2017. That is, loans on courses will be capped, course eligibility will be aligned with national priorities and industry needs, enhanced entry, ongoing quality and compliance requirements will apply, payments will be made in arrears based on verified data, third party provider arrangements will be limited and using brokers will be banned.

From 1 July 2017 students will be required to log in via their eCAF at the start of at least two fee periods during their course to demonstrate their engagement in their training.

During late 2016, private providers will need to apply for time-limited access to the new loan scheme. Based on these applications, some private VET FEE-HELP providers, with a strong track record in delivering high quality training, will be granted provisional approval as a new loan scheme provider for a six month transition period. During this time, they will be required to apply for formal approval under the new eligibility requirements. The application process will take place in the first half of 2017 and successful providers will formally commence operating under the new loan scheme from 1 July 2017. VET FEE-HELP providers that have been assessed as poor quality or with a poor compliance history will not be granted provisional approval as a new loan scheme provider and must meet the enhanced eligibility requirements during the application process before they can commence operating under the new loan scheme.

TAFEs and publically owned RTOs will not be required to apply for approval under the new loan scheme and will therefore formally commence operating under the new loan scheme from 1 January 2017.

Genuinely engaged VET FEE-HELP students, who so choose, will be able to continue their study under grandfathered VET FEE-HELP arrangements until 30 December 2017. This will provide existing students an opportunity to complete their training or transfer to an alternative course or provider under the new loan scheme arrangements.

Information and supporting material will be provided to students and providers to ensure a successful transition to the new loan scheme.

5.3 Evaluation of preferred Option (Option 1)

The department will closely monitor the impact of the new loan scheme through a post implementation review. This will include working closely with ASQA as the national regulator, providers, students and peak bodies.