



## **Submission to the Productivity Commission Inquiry into Human Services**

### **By Community Colleges Australia**

**1 August 2016**

### **Background**

The Productivity Commission has established:

an inquiry into Australia's human services, including health, education, and community services, with a focus on innovative ways to improve outcomes through introducing the principles of competition and informed user choice whilst maintaining or improving quality of service.

This submission from Community Colleges Australia (CCA) focusses solely on the implications of promoting competition in the vocational education and training (VET) sector, with particular attention to the implications for community education providers.

### **About Community Colleges Australia**

Community Colleges Australia (CCA; [www.cca.edu.au](http://www.cca.edu.au)) is the peak national body representing Australian community-owned, not-for-profit education and training providers. Our vision is for Australia to achieve more dynamic and vibrant communities, informed and empowered through learning. CCA assists its members to sustain and grow their businesses, thereby enhancing education opportunities through choice for all Australians. CCA promotes learning innovation for all Australians by educational delivery that engages with and belongs to local communities, with particular focus on vulnerable and disadvantaged learners. Our members are long-established community learning organisations located in metropolitan, regional and rural locations. Our members are well-placed to focus on student welfare with commitment to the employment outcomes for as well as associated community development.

CCA works to increase awareness of the community education sector and its place in Australia's economic and social fabric, build business opportunities for our members and advocate at all levels of government. The majority of our members are Registered Training Organisations (RTOs) for vocational education and training (VET). They frequently work in collaboration with each other on a local and regional basis, as well as with government (TAFE) and private (for-profit) providers when that provides value for their communities and learners.

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Dr Don Perlgut  
Chief Executive Officer

## Executive Summary

CCA strongly believes that further privatisation of the Australian vocational education and training (VET) sector – implied in the Productivity Commission’s brief for this Inquiry – is not only undesirable, but could create significant new problems for a sector already in crisis.

This privatisation – that has already resulted in two-thirds of the total VET “market” now in private for-profit sector hands – already has been a disaster for many thousands of consumers – as well as for the Commonwealth of Australia, which has funded hundreds of millions of dollars of VET delivery that it is often of poor quality through VET FEE-HELP. This training has frequently been badly targeted to the consumer, industry and regional economic needs.

Vocational education and training services provided by community-based not-for-profit organisations has a history in Australia going back more than 100 years. Our sector’s providers are agile, responsive to local and regional community needs and deliver clearly targeted and customised responses. Effectively designed community education programs are capable of achieving significant engagement, enhanced productivity and community cohesion outcomes. Our providers specialise in building pathways and “job-ready” and life skills for those Australians who often have fallen into the “too hard basket”. Community education providers are also great innovators.

The implications for vulnerable and disadvantaged Australian consumers of VET is CCA’s greatest concern with the focus of the Productivity Commission’s inquiry, as “consumers in a modern market economy often experience information asymmetry and a significant imbalance of bargaining power”.<sup>1</sup>

The Productivity Commission considered at great length how to take account of the special needs of vulnerable and disadvantaged consumers in its 2008 review of Australia’s consumer policy framework, leading to the successful National Consumer Credit Protection Act (2009).<sup>2</sup>

CCA strongly believes that the policies of Australian Commonwealth, state and territory governments need to provide significant guidance and (at times direct) intervention for government-funded VET services for vulnerable and disadvantaged consumers. The best way to do this is to ensure that these services are provided by government-run organisations (i.e. TAFE) and community not-for-profit providers. CCA also strongly believes that Community Service Obligations in VET should continue to be limited to public (TAFE) and community providers.

For-profit higher education and for-profit VET providers consistently have been and will continue to be driven by a “bottom line” approach of profitability, preferably as high as possible. CCA maintains that such profitability is inconsistent with the provision of community service obligation

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<sup>1</sup> Elizabeth Shearer, November 2010, “Consumer Protection Laws: Access to Justice for Vulnerable Consumers”, p. 1, accessed at <http://managingjustice.com.au/wp-content/uploads/2010/12/LawAsia-paper-Nov-2010.pdf>.

<sup>2</sup> See [http://www.austlii.edu.au/au/legis/cth/consol\\_act/nccpa2009377/](http://www.austlii.edu.au/au/legis/cth/consol_act/nccpa2009377/).

funding and basic educational service delivery to vulnerable and disadvantaged Australians. In the VET sector, these services should continue to be provided by government (TAFE) and community education providers.

## Introduction: Policy Challenges for Australian Vocational Education and Training

According to recent statistics from the National Centre for Vocational Education and Research (NCVER), 1,597,800 students enrolled in the government-funded VET system in 2015, down from 1,789,100 in 2014 – a substantial 10.7% decline in just 12 months.<sup>3</sup> A total of 1889 training organisations provided government-funded VET in 2015:

- 54 TAFE & 14 other government providers
- 391 community education providers
- 1585 private training providers

The NCVER has also recently released (26 July 2016) updated figures on the total Australian VET student numbers, which includes not just government-funded VET, but individually and employer paid study. The NCVER report indicates that more than 4.5 million VET students enrolled in 2015, representing 26.8% of all Australians aged 15 to 64 years.<sup>4</sup> As the table below shows, more than 66% (3 million+ of these students) studied with private, for-profit training providers. Second comes TAFE with 932,000 students (20.5%) and third comes the community education sector, with 205,000 students (4.6% of the total).

**Table 1: Students by provider type and the state or territory where the training was delivered, 2015 ('000)**

Provider type	State or territory where the training was delivered										Total
	NSW	VIC	QLD	SA	WA	TAS	NT	ACT	Overseas	Other	
TAFE	364.7	203.4	112.1	75.7	105.5	22.6	3.6	18.9	24.9	0.9	932.3
University	0.6	53.3	9.2	0.1	0.4	0.9	13.6	0.0	3.8	0.0	81.9
School	71.5	14.9	55.1	1.1	2.3	1.3	0.7	3.6	-	0.0	150.6
Community education provider	49.7	72.6	12.4	9.2	29.4	15.8	10.0	6.6	-	0.0	205.7
Enterprise provider	28.6	12.7	40.0	9.0	18.0	1.6	1.6	1.2	0.1	0.2	112.8
Private training provider	816.7	756.7	846.3	145.2	321.6	29.6	28.1	53.4	5.6	8.9	3 012.1
Students attending more than one provider type	6.3	4.1	20.5	4.8	7.3	3.5	0.0	0.0	-	0.7	47.3
<b>Total students</b>	<b>1 338.2</b>	<b>1 117.6</b>	<b>1 095.6</b>	<b>245.2</b>	<b>484.5</b>	<b>75.3</b>	<b>57.6</b>	<b>83.7</b>	<b>34.3</b>	<b>10.7</b>	<b>4 542.6</b>

This table is reproduced from “Table 3” of the NCVER Report: <https://www.ncver.edu.au/publications/publications/all-publications/2872#>. Note that after aggregation the numbers have been rounded to the nearest hundred. Rounding can lead to situations where the numbers in the body of a given table might not add to the rounded totals. A dash (-) represents a true zero figure, with no activity reported in these categories.

<sup>3</sup> NCVER, *Government-funded students and courses 2015*, July 2016, <https://www.ncver.edu.au/publications/publications/all-publications/2872#>.

<sup>4</sup> NCVER, *Total VET students and courses 2015*, July 2016,

From a policy, public relations and financial perspective, the Australian VET sector is a “mess”, as the following recent statements from numerous observers and commentators indicate:

*A convoluted throng of mostly private colleges has spawned a VET system that is bloated by international standards, largely unmanageable by regulators and incomprehensible to students.*

- John Ross, “VET system lacks spark needed for booms”, *The Australian*, 20 July 2016 (p. 31).

*Australia’s vocational education sector is a mess. Tightening regulation and tweaking some of the settings will contain the damage, but these measures alone will not address deeper problems in the sector. Real, sustained improvement requires rethinking the funding and regulatory models but also the purpose and idea of vocational education.*

- Dr Mary Leahy, Graduate School of Education, University of Melbourne<sup>5</sup>

*Lured by government subsidies, registered training organisations (RTOs) are enrolling people into VET courses that do not match their needs and for which there is a dubious case at best for taxpayer support. Without fundamental changes to the funding and regulation of VET, the abuses are almost certain to continue. The current arrangements have two weaknesses that should be urgently addressed:*

- a lack of transparency in who is doing what; and
- a regulatory framework that focuses too much on how, and not enough on what, training is provided.

*Maintaining community confidence in the value of VET qualifications is essential for a functioning labour market.*

- Dr Damian Oliver and Dr Serena Yu<sup>6</sup>

*Evidence emerges of massive pricing discrepancies between fee-for-service and VET FEE-HELP courses being offered by a number of registered training organisations (RTOs), with taxpayers forking out up to 400 per cent premiums to line the pockets of training companies with government loans, many of which will never be repaid. The deregulation of the VET FEE-HELP scheme has led to a massive increase in for-profit, private education providers and an industry-wide decline in quality. According to the Education Department, just over one quarter (26 per cent) of students who enrolled in VET FEE-HELP courses in 2011 finished within three years. Completion rates for online diplomas were abysmal, with just seven per cent of students completing their course.*

- Frank Chung<sup>7</sup>

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<sup>5</sup> “Reforming vocational education: it’s time to end the exploitation of vulnerable people”, *The Conversation*, 15 December 2015, <https://theconversation.com/reforming-vocational-education-its-time-to-end-the-exploitation-of-vulnerable-people-51396>.

<sup>6</sup> “Australia’s VET system needs fundamental change – here’s how it can be fixed”, *The Conversation*, 22 September 2015, <https://theconversation.com/reforming-vocational-education-its-time-to-end-the-exploitation-of-vulnerable-people-51396>

<sup>7</sup> “‘This is a blatant rip-off of the taxpayer’: Training colleges facing audit of ‘predatory’ pricing”, news.com.au, 4 May 2015, <http://www.news.com.au/finance/money/costs/this-is-a-blatant-ripcoff-of-the-taxpayer-training-colleges-facing-audit-of-predatory-pricing/news-story/b82f5b31b12ccc58755939fbfdb6d66d>.

CCA notes that relatively few of its members (and the community education sector broadly) utilise VET FEE-HELP, in large part because VET FEE-HELP relates to higher level VET qualifications that community providers tend not to deliver. CCA also notes, with great dismay, that large numbers of vulnerable and disadvantaged Australians have been subjected to improper enrolment and signing up for VET FEE-HELP loans, in a major series of publicly-aired abuses. All of these abuses have been committed by unscrupulous private for-profit providers and none by community education providers.<sup>8</sup>

The continuing uncovering of these scandals undermines claims that it is only “a few bad apples” within the private for-profit VET sector that are doing the wrong thing. In early June 2016, *The Sydney Morning Herald* carried two articles on a court case against Unique College, being prosecuted by the Australian Competition and Consumer Commission (ACCC).<sup>9</sup> This news followed on from recent action taken by the ACCC against Careers Australia, another private, for-profit provider.<sup>10</sup>

These VET FEE-HELP abuses have significantly undermined the reputation of Australian vocational education and training, both domestically and internationally, putting the whole VET system at significant risk. A large percentage of the private for-profit VET providers utilise names that do not distinguish them as for-profit providers that deliver dividends to their owners – unlike the community education and government VET sectors. Frequently, these for-profit providers go to great lengths to hide their ownership structures (burying or obscuring the real ownership on their websites), as a means of establishing their credibility with potential students. A good example of this is the now-defunct Australian Indigenous College, which – despite its name – was not Indigenous-owned (it was owned by the corporation Global Intellectual Holdings).<sup>11</sup>

Despite its best intentions and a great deal of hard work, the Australian Skills Quality Authority (ASQA, the major VET regulator) has not yet become an effective regulator of the VET sector, and has not been able to protect the rights of many vulnerable and disadvantaged VET consumers from

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<sup>8</sup> See the following for more details: <http://www.smh.com.au/national/vocational-education-how-the-shonks-and-shysters-took-control-20150924-gjujt5.html>; <http://www.afr.com/news/policy/education/private-colleges-vet-fee-help-loan-scandal-hit-160-million-and-counting-20160519-gozbmp>; Erica Smith, “The VET FEE-HELP scandal – how afraid should we be?”, <http://avetra.org.au/wp-content/uploads/2016/05/Erica-Smith-22.pdf>; and the Commonwealth’s discussion paper (April 2016): <https://docs.education.gov.au/documents/2017-vet-fee-help-scheme-redesign-discussion-paper>.

<sup>9</sup> See <http://www.smh.com.au/national/education/unique-international-college-teacher-never-heard-from-her-80-students-court-told-20160608-gpejsh.html> - published on 8 June 2016; and <http://www.smh.com.au/national/education/unique-international-college-i-just-wanted-a-free-laptop-court-told-20160609-gpfizg.html> - published on 9 June 2016.

<sup>10</sup> See <http://www.accc.gov.au/media-release/careers-australia-undertakes-to-repay-commonwealth-for-vet-fee-help-diploma-courses> - dated 16 May 2016.

<sup>11</sup> See <http://www.smh.com.au/business/thousands-of-students-caught-up-in-major-college-collapse-20160210-gmqt8x.html> and <http://www.sbs.com.au/nitv/nitv-news/article/2016/02/18/australian-indigenous-college-placed-voluntary-administration>.



“shonky” providers. The reasons for this are complex and many, and include a lack of sufficient resources; continued and confused government Commonwealth, state and territory VET policy changes; widely differing approaches in different states and territories; and – most importantly – the deeply flawed VET FEE-HELP scheme (as noted above) that brands the sector as inefficient and badly run, as well as wasting substantial public funds.

**As a result this current situation, it is clear that further privatisation of the VET sector – implied in the Productivity Commission’s brief for this Inquiry – is not only undesirable, but could create significant new problems for a sector already in crisis.**

This privatisation – that has already resulted in two-thirds of the total VET “market” now in private sector hands – already has been a disaster for many thousands of consumers – as well as for the Commonwealth of Australia, which has funded hundreds of millions of dollars of VET delivery that it is often of poor quality (or non-existent), through VET FEE-HELP. The training has frequently been badly targeted to the needs of consumers, industry, and local and regional economies.

While two-thirds of the total VET market may be private, the situation with government-funded VET is different, where the situation in 2015 (the latest full year) was:

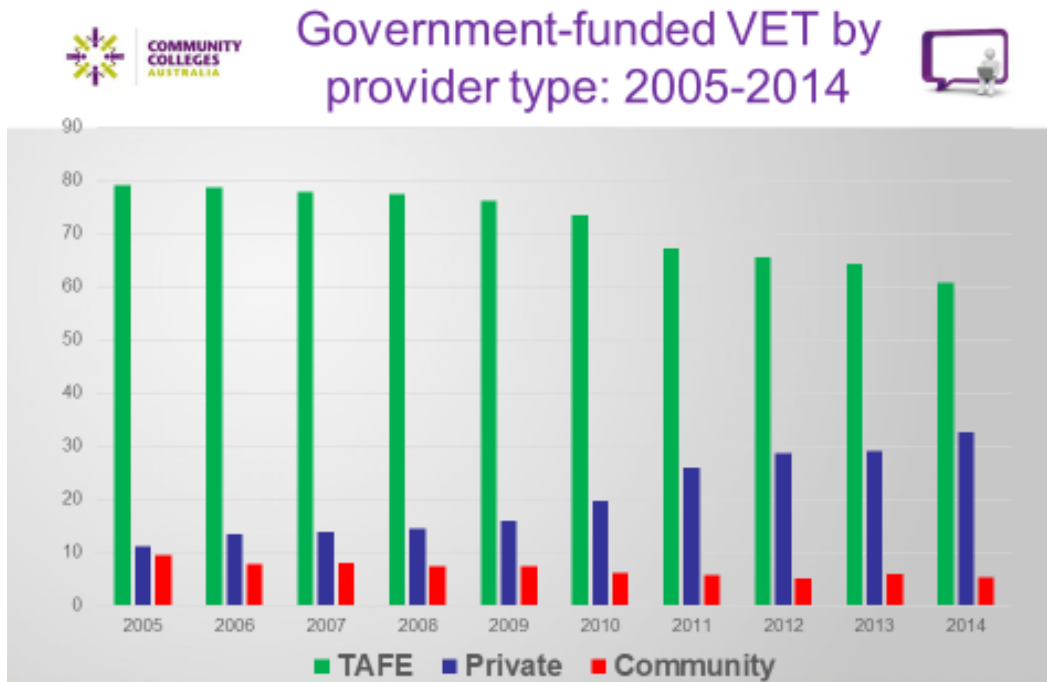
- 944,300 (59.1%) at TAFE and other government providers;
- 80,300 (5.0%) at community education providers
- 554,300 (34.7%) Commonwealth and state funded students at other registered providers; and
- 19,000 students (1.2%) attended more than one provider type.<sup>12</sup>

**CCA maintains that the balance of government-funded VET should not continue to shift to private providers.** This has occurred progressively over the last ten years, as the following graph (taken from NCVER figures) shows:

- TAFE has dropped from 80% of the government-funded VET to less than 60%;
- Community education has dropped from 10% to about 5%; and
- Private for-profit providers have increased from about 8% to almost 35%.

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<sup>12</sup> NCVER, *Government-funded students and courses 2015*, 4 July 2016, <https://www.ncver.edu.au/publications/publications/all-publications/2872>.



## The Role of the Community Education Sector in Australian VET

Vocational education and training services provided by community-based not-for-profit organisations has a history in Australia going back more than 100 years. Our sector’s providers are agile, responsive to local and regional community needs and deliver clearly targeted and customised responses.

Effectively designed community education programs are capable of achieving significant engagement, enhanced productivity and community cohesion outcomes. Our providers specialise in building pathways and “job-ready” and life skills for those Australians who often have fallen into the “too hard basket”. Community education providers also great innovators, as seen through a sample of the special programs currently offered:

- SkillsLink (Port Macquarie Community College) “School of Hard Knocks” (<https://www.facebook.com/SOHK.PMH>)
- St George Sutherland Community College’s unique and personalised disability program disAbility, committed to meeting the flexible needs and choices of each client (<http://disability.sgscc.edu.au/services/my-college>)
- Albury Wodonga Community College’s “2 cool 4 school” program, helping teenagers and adults who are not in school, not employed and found education difficult to do (<http://www.2cool4school.org.au/main.html>)

- WEA Hunter's Alesco Senior College schools (<https://www.weahunter.edu.au/alesco-senior-college>)

Also see the Appendix to this submission, which details the range of community activities undertaken by Tamworth Community College.

## Vulnerable and Disadvantaged Consumers

The implications for vulnerable and disadvantaged Australian consumers of VET is CCA's greatest concern with the focus of the Productivity Commission's inquiry. Elizabeth Shearer has described the challenges for consumers:

*Consumers in a modern market economy often experience information asymmetry and a significant imbalance of bargaining power. They have limited freedom to choose the conditions upon which they contract to purchase goods and services. Even sophisticated consumers, who can read and understand the fine print, have little opportunity to change it.<sup>13</sup>*

The Productivity Commission itself considered the matter of how to take account of the special needs of vulnerable and disadvantaged consumers in its 2008 review of Australia's consumer policy framework, which led directly to the successful Consumer Credit Protection Act.<sup>14</sup>

The Productivity Commission's report (p. 295) set out clear definitions of "vulnerable" and "disadvantage" Australian consumers, definitions that continue to resonate and apply more than eight years later:

*Disadvantage can be seen as reflecting a set of individual traits — such as poverty, low education, disability, or poor English proficiency — that increase the risk of a consumer experiencing detriment or/and intensify the adverse consequences of that detriment. Disadvantage is typically persistent and hard to change, particularly through consumer policy. Vulnerability is a broader term relating to a particular susceptibility of consumers to detriment based on both their personal characteristics (including, but not limited to disadvantage) and the specific context in which they find themselves (market features, product qualities, the nature of the transaction, the regulatory environment).*

*Disadvantage and vulnerability often overlap, but they can be distinct. For instance, in markets where the quality of services is hard to discern and convey to consumers, many will be vulnerable, despite not being disadvantaged. Conversely, for straightforward purchases, it is possible that*

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<sup>13</sup> Elizabeth Shearer, November 2010, "Consumer Protection Laws: Access to Justice for Vulnerable Consumers", p. 1, accessed at <http://managingjustice.com.au/wp-content/uploads/2010/12/LawAsia-paper-Nov-2010.pdf>.

<sup>14</sup> Productivity Commission 2008, *Review of Australia's Consumer Policy Framework*, Volume 2, Productivity Commission Inquiry Report No 45, 30 April 2008, Canberra, accessed at <http://www.pc.gov.au/inquiries/completed/consumer-policy/report>.

Subsequent quotations in the text are all from this Report.



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*someone who might be categorised as disadvantaged would not be particularly vulnerable, much of the time — many people on low incomes are very careful and astute consumers and have learned strategies that reduce future susceptibility in a repeat situation.*

*More broadly, all transactions carry some risk. But, it is generally understood in consumer policy discussions that the term ‘vulnerable and disadvantaged’ consumers delineates a narrower group encompassing those at significant risk of being misled or making poor purchasing decisions, either generally or in specific situations.*

Who are these vulnerable and disadvantaged Australians? Clearly, a large number of young people (25 or younger) and older Australians (older than 65) may be vulnerable, even if they are not particularly disadvantaged economically or socially. Groups at great risk of high disadvantage include Indigenous Australians; people from lower socio-economic backgrounds; people with poor telecommunications access – the “deepening digital divide” (at least 15% of all Australians)<sup>15</sup>; rural, regional and remote residents<sup>16</sup>; and people whose native language is not English.

The Commission’s report concluded that there are larger numbers of vulnerable and disadvantaged consumers than ever before. It examined how:

*Consumers themselves are changing. As a result of better education and greater access to information and guidance through the Internet, many are now more able to judge the merits of even complex products and services. But the increasing complexity of markets and demographic changes — such as population ageing and the greater proportion of consumers from non-English speaking backgrounds — **may have simultaneously increased the pool of vulnerable and disadvantaged consumers at risk of suffering detriment.** So too may have the increasing market participation of young people..... (p. 7)*

The Commission’s Report noted the difficulty that some consumers have in making decisions, particularly relevant to recent Australian VET experience:

*The ability to make well-informed decisions can also be impaired by the circumstances under which the decision is made.... There are situations in which most consumers will be vulnerable to poor decision-making.... Time constraints may also limit the ability of consumers to fully inform themselves, with constraints sometimes being imposed by ‘high pressure’ sales techniques. (p. 34)*

The Report further noted that:

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<sup>15</sup> See <https://theconversation.com/australias-digital-divide-is-narrowing-but-getting-deeper-55232>, <http://www.acoss.org.au/wp-content/uploads/2016/01/Digital-Divide-Policy-Snapshot-2016-Final.pdf>, and <http://www.smh.com.au/digital-life/mobiles/digital-divide-still-an-issue-for-low-income-earners-20140226-33i7l.html>.

<sup>16</sup> See [http://ruralhealth.org.au/documents/publicseminars/2013\\_Sep/Joint-report.pdf](http://ruralhealth.org.au/documents/publicseminars/2013_Sep/Joint-report.pdf); <https://aifs.gov.au/publications/family-matters/issue-37/regional-disadvantage-and-unemployment>; <https://theconversation.com/unravelling-why-geography-is-australias-biggest-silent-killer-23238>; and <http://www.regionalaustralia.org.au/home/2015/11/human-capital/>.

*In addition to achieving important social justice objectives, intervention on behalf of vulnerable and disadvantaged consumers can also improve the confidence with which these consumers interact with suppliers, encouraging greater market participation and enhancing overall efficiency. (p. 35)*

**On the basis of this evidence (including the Productivity Commission’s own extensive research in the past), CCA strongly believes that the policies of Australian Commonwealth, state and territory governments need to provide significant guidance and (at times direct) intervention for government-funded VET services to vulnerable and disadvantaged consumers. The best way to do this is to ensure that these services are provided by government-run organisations (i.e. TAFE) and community-based not-for-profit providers.**

Clear examples of this include essential foundation skills and other adult basic education programs such as literacy and numeracy. Support for this view (quoted by the 2008 Productivity Commission Report) comes from the Eastern Access Community Health submission, which stated that, “Well-informed consumers are largely absent from the markets in which low income, disadvantaged and vulnerable consumers participate.” (p. 295)

A July 2016 United Kingdom government report (the *Post-16 Skills Plan*) also provides extensive support for this view.<sup>17</sup> Gavin Moodie has reported that, “The panel estimated that at least 30% of government funding for English vocational education is allocated to private providers. But there was a strong view that public funds should not be allocated in this way ... publicly subsidised technical education should be delivered under not-for-profit arrangements and that new government funding should be ‘prioritised towards colleges and training providers who intend to reinvest all surpluses into education infrastructure’.<sup>18</sup> The report continued:

*Given what appears to be the highly unusual nature of this arrangement compared to other countries and the high costs associated with offering world-class technical education, we see a strong case for public funding for education and training to be restricted to institutions where surpluses are reinvested into the country’s education infrastructure.<sup>19</sup>*

## The Importance of Community Service Obligations

As noted in the Productivity Commission’s 2008 Report, Community Service Obligations (also known as CSOs):

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<sup>17</sup> See <https://www.gov.uk/government/publications/post-16-skills-plan-and-independent-report-on-technical-education>

<sup>18</sup> Gavin Moodie, “What Australia can learn from England’s plan for vocational education”, 22 July 2016, *The Conversation*, <https://theconversation.com/what-australia-can-learn-from-englands-plan-for-vocational-education-62418>.

<sup>19</sup> Quoted by Gavin Moodie, <https://theconversation.com/what-australia-can-learn-from-englands-plan-for-vocational-education-62418>.

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*Are government requirements for service providers to engage in non-commercial activities to promote affordability and access objectives. They apply in a range of sectors and take two principal forms:*

- Those that are directly funded by governments, including concessions for low income earners (for example, in energy and water) and the provision of 'uneconomic' services (for example, certain rail services); and*
- Universal service obligations, such as standardised service requirements for some basic postal and telecommunication services. These obligations are ultimately funded by cross-subsidies between different groups of consumers, despite the commitment by Australian Governments, as part of the NCP process, to fund CSOs directly from consolidated revenue.*

Community Service Obligations in Australian VET have a long history. In New South Wales, for instance, providing these are currently limited to community and TAFE providers through the Smart and Skilled program:<sup>20</sup>

*Some students need additional support to access training. Smart and Skilled will help improve participation for disadvantaged learners. Community Service Obligation (CSO) payments to approved Adult and Community Education (ACE) providers will guarantee training for key equity groups.*

*Smart and Skilled will help regional students get access to quality training. Approved ACE providers will have community service obligations to guarantee vocational education and training in regional and remote areas.*

*ACE CSO funding will be provided for training and support that cannot be effectively addressed through Smart and Skilled entitlements. This will cover CSO grants for specific types of training and support for disadvantaged learners, regional and remote communities and hard to service communities.*

A number of community education CSO case studies have been posted on the CCA website, and can be viewed through this link: <http://cca.edu.au/resources/>

**CCA strongly believes that Community Service Obligations in VET should continue to be limited to public (TAFE) and community providers.**

The Australian Tertiary Education Quality and Standards Agency published (April 2016) an analysis of the different costing structures between public universities, non-university not-for-profit providers (NFP), non-university for-profit providers (FP) and TAFEs delivering university education.<sup>21</sup> While

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<sup>20</sup> See "ACE Community Service Obligation Program", [https://www.training.nsw.gov.au/ace/ace\\_csos\\_program.html](https://www.training.nsw.gov.au/ace/ace_csos_program.html); also see [https://www.training.nsw.gov.au/forms\\_documents/ace/ace\\_csos\\_flyer.pdf](https://www.training.nsw.gov.au/forms_documents/ace/ace_csos_flyer.pdf).

<sup>21</sup> "Key financial metrics on Australia's higher education sector; Selected insights, April 2016", Tertiary Education Quality and Standards Agency, <http://www.teqsa.gov.au/sites/default/files/publication-documents/KeyFinMetrics042016.pdf>.

the Australian tertiary education (university) sector is different from the VET sector, there are many commonalities, and a large number of similar players that provide services in both. Thus the tertiary education experience is a valuable one. This study found that:

*While for-profit (FP) providers only accounted for 4% of all students enrolled in higher education and 3.2% of all revenue of the sector, they achieved considerably better operating margins than other types of provider. The median level of operating margin for FP providers at 11.9% was twice that of universities (6.1%) and well in excess of NFP providers (1.9%) and TAFE (-3.8%). The distribution of operating results shows that maximum operating result for FP providers was 50.7% compared to 15.2% for universities. In addition the de-identified data presented shows that a very significant majority of institutions with operating margins in excess 15% were FP providers.<sup>22</sup>*

As the National Tertiary Education Union (NTEU) has concluded:

*This data provides further evidence against the usual rationale given for extending direct public teaching subsidies for Commonwealth-supported places through the Commonwealth Grants Scheme (CGS) to private for-profit (FP) providers, as is current government policy. They would not appear, based on this analysis, to be operating at competitive disadvantage given proportionately higher profit margins.*

*The private for-profit (FP) providers are able to achieve these profit margins by keeping employee costs low through the use of very few (and in some cases no) senior academics and an over reliance on insecure forms of employment to ensure maximum flexibility. While this approach might be healthy for the financial bottom line, it is no basis on which to develop a world class higher education sector.<sup>23</sup>*

**From the perspective of CCA, this point is clear: for-profit higher education and for-profit VET providers consistently have been and will continue to be driven by a “bottom line” approach of profitability, preferably as high as possible.<sup>24</sup> CCA maintains that such profitability is inconsistent with the provision of community service obligation funding and basic educational service delivery to vulnerable and disadvantaged Australians. In the VET sector, these services should continue to be provided by government (TAFE) and community education providers.**

<sup>22</sup> Summary provided by Paul Kniest, the National Tertiary Education Union (NTEU), 12 April 2016; for more details see <http://www.nteu.org.au/article/For-Profit-Higher-Education-Providers-Earn-Big-Profits-but-Pay-Low-Employee-Benefits-18493>.

<sup>23</sup> Paul Kniest, National Tertiary Education Union (NTEU), 12 April 2016, <http://www.nteu.org.au/article/For-Profit-Higher-Education-Providers-Earn-Big-Profits-but-Pay-Low-Employee-Benefits-18493>.

<sup>24</sup> This point has been shown many times by the extraordinary profitability that some private for-profit VET providers have made through the VET FEE-HELP scheme; see <http://www.news.com.au/finance/money/costs/this-is-a-blatant-ripoff-of-the-taxpayer-training-colleges-facing-audit-of-predatory-pricing/news-story/b82f5b31b12ccc58755939fbfdb6d66d>; <http://www.smh.com.au/business/thousands-of-students-caught-up-in-major-college-collapse-20160210-gmq8x.html>; and <http://www.aefederal.org.au/application/files/9614/3315/0486/WRCAEU2015.pdf>.

## Appendix: The Role of Community Education Providers – A Tamworth Case Study

This Appendix provides details of how one community education provider – Tamworth Community College (<http://www.tamworth.nsw.edu.au/>), located in the New England region of northern New South Wales – provides significant services to vulnerable and disadvantaged Australians in its region.

Tamworth Community College (TCC) has evolved over the past five years as its mission, vision and objectives have moved to provide predominantly education and support for disadvantaged students in need. Many community education providers have traditionally delivered general interest/lifestyle courses, however, while TCC still offers some of these as a community service, they now equate to less than 2% of its total enrolments.

Community colleges in NSW in general have adopted varying business models and the NSW Government has recognised that community-based RTOs are the best-placed, resourced and experienced to work in collaboration with other service providers to deliver targeted programs for:

- Aboriginal and Torres Strait Islanders
- Long term unemployed
- Students with a disability
- Students in community housing or homeless
- Students who are victims of domestic violence
- Unemployed migrants
- Disadvantaged regional and rural students with barriers to education or employment, such as high needs students with poor language, literacy and numeracy (LLN) capabilities

Specific examples of targeted programs delivered by TCC support students in need are detailed below.

**Fee-free Scholarship Program for people experiencing domestic and family violence** and their dependants: As an organisation contracted to deliver this program, TCC is required to assess eligibility by requesting individuals to self-identify and provide a letter of recommendation from a domestic and family violence service or refuge or agencies such as Legal Aid NSW, the NSW Department of Family and Community Services, crisis accommodation services, peak bodies or other support services. As well as providing nationally accredited training, TCC students are supported by trained counsellors, mental health professionals and partner community service providers specialising in domestic violence issues.

**Fee-free Scholarship Program for young people who are living in social housing or have been in out-of-home care:** TCC is responsible for assessing eligibility. Potential students need to be clear on whether they are on the waitlist and eligible for social housing or fall within the following



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definition of social housing – specialist homelessness services, Aboriginal housing, community housing, public housing, crisis accommodation.

**Adult and Community Education (ACE) Community Service Obligation (CSO) Program:** This program targets disadvantaged learners with barriers to education and employment and currently equates to TCC's largest proportion of marginalised student enrolments. The funding provided by the NSW Government for this particular program alone represents 35% of total revenue and associated activities. The program enables TCC to provide affordable (free) training for Indigenous students (Indigenous enrolments have grown by 80% over the past two years), students with a disability (enrolments up 20% over the past two years), long term unemployed and high needs students with LLN issues or mental health issues. TCC is required to assess eligibility for this program through student declarations, evidence of receipt of government benefits and letters of referral. In the past 12 months TCC has delivered almost 1500 fee – free enrolments in this particular program.

TCC employs specialist trainers qualified and experienced in supporting disadvantaged and marginalised students and is proud of its life-changing outcomes. TCC works in tandem with community service providers like Tamworth Aboriginal Hostel, Tamworth Family Support Services, Headspace, The Youthie and the local court system which refer students meeting the criteria for the targeted programs (above). TCC focuses on social inclusion, on providing disadvantaged students with the skills to get a job, improving self-esteem and participation in their community, increasing capacity and ultimately breaking the poverty cycle.

Other training and education services undertaken by TCC, outside these targeted programs, are delivered on a fee-for-service basis and provide the additional revenue required to supplement the targeted fee-free programs for those disadvantaged students who would otherwise be unable to afford to access vocational education and training. TCC promotes inclusion, equity and access for all and disadvantaged students in poverty and/or distress, like those listed above, who are participating in funded programs, are fully supported and where possible integrated into adult classes with life-changing results.

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