

# **VACC Submission to the Senate Inquiry into the operation, regulation and funding of private vocational education and training (VET) providers in Australia**

13 February 2015



## Introduction

The Victorian Automobile Chamber of Commerce (VACC) is the peak body for the repair, service and retail sector of the automotive industry in Victoria (and Tasmania). VACC represents over 5,000 members, primarily small businesses, which employ over 50,000 people and have an annual turnover of around \$50 billion.

VACC members range from new and used vehicle dealers (passenger, truck, commercial, motorcycles, recreational and farm machinery), repairers (mechanical, electrical, body and repair specialist, i.e. radiators and engines), vehicle servicing (service stations, vehicle washing, rental, windscreens), parts and component wholesale/retail and distribution and aftermarket manufacture (i.e. specialist vehicle, parts or component modification and/or manufacture), and recycling. In addition to VACC, our sister organisations – the Motor Trade Associations, also represent the automotive industry for their respective state.

The automotive industry relies heavily on effective trade training through Certificate III apprenticeship qualifications, Certificate II traineeship qualifications, pre-apprenticeships, and school-based training programs. Auto Skills Australia (ASA) is the body responsible for the development and maintenance of two training packages for the automotive industry: Automotive Manufacturing (AUM) and Automotive Retail, Service and Repair (AUR). There are 64 qualifications embedded within the latest versions of these packages and there are 234 registered training organisations (RTOs) delivering automotive qualifications.

Total employment in the automotive sector including the three passenger vehicle manufacturers is down to 361,187 employees in 2012/2013, with 67,260 businesses as at June 2012 (2014 ASA Environmental Scan). With the departure of the three passenger vehicle manufacturers, there will be further structural change in the industry, as importation of vehicles will be 100%, rather than the current level of importation at 80%. The departure of these manufacturers is estimated to affect more than 45,000 automotive jobs in the industry.

In preparation for this submission, VACC has collated a number of case studies that highlight examples of private registered training organisations (RTOs) acting unscrupulously towards VACC members. These case studies provides a depiction of the issues that VACC has discussed in this submission paper.

## Terms of Reference

The Committee will inquire into, and report on, the operation, regulation and funding of private vocational education and training (VET) providers in Australia, including:

- (i) the access private VET providers have to Commonwealth and state public funding,
- (ii) the cost of education at private VET providers,
- (iii) the regulatory regime private VET providers operate within,
- (iv) the operation of VET-FEE-HELP,
- (v) the quality of education provided by private VET providers, volume of learning requirements and graduate outcomes,
- (vi) marketing and promotional techniques employed by private VET providers and education brokers both domestic and international,
- (vii) any incidents or allegations of non-compliance with regulation and funding arrangements at private VET providers,
- (viii) political donations made by private VET providers,
- (ix) international comparisons to the Australian funding and regulatory regime,
- (x) the operation, regulation and funding of private VET providers specifically offering courses in aged care and early childhood education and their labour market outcomes, and
- (xi) any related matters;

In this submission, VACC has focused mainly on aspects of the above Terms of References that have the most impact on our industry. Particular focus has been placed on how training programs are being funded, the regulation over program delivery, and the marketing operations of unscrupulous private RTOs. As previously mentioned, case studies of unscrupulous conduct from a number of private RTOs will also be provided.

### **The Funding of Programs delivered by Training Providers**

1. VACC in principle, is not concerned with private RTOs obtaining public funding, but rather is concerned that all training programs are currently being funded equally, irrespective of how the course is being delivered. Essentially, consideration is not given towards the use of teaching resources or the length of the course. As such, the Senate inquiry should avoid framing the issue as being a conflict between the private VET sector and the public VET sector, as this shifts the debate away from the core issue.
2. VET FEE-HELP is a concern to industry as it has led to students borrowing large sums of money to invest in a course that provides inadequate teaching delivery and

inadequate employment outcomes. It has also enabled students to undertake courses that are unsuited for them. As such, this has resulted in VET students to accumulate debt not dissimilar to that of a Higher Education Contribution Scheme (HECS) debt. Much of this is a result of the lack of transparency over the actual VET FEE- HELP loan amount.

### **Recommendations**

3. VACC recommends that the cost of all courses should be funded based on the quality of the course. Quality can be discerned by examining how the course is delivered, the teaching resources used, and the length of the course.
4. VACC recommends that there should be transparency over the total costs of a course when a student uses VET FEE-HELP. Consideration should be made on placing a threshold on the funding for a course that utilises VET FEE-HELP.
5. VACC recommends that Governments should consider allocating funding towards supports services that TAFE training providers also deliver. Examples of support services are libraries, counselling, etc. Unlike the private VET sector, which operates on a for-profit basis, TAFE training providers provide important support services for students due to the not-for-profit nature of the TAFE sector.

### **Regulation over Course Delivery**

6. VACC has witnessed a marked inconsistency in the length of time in which some private training provider delivers a course to a student. VACC has witnessed private RTOs delivering courses normally requiring 3 to 4 years to complete within a few months. In essence, VACC argues that this is due to the auditing process for VET providers not taking into account the delivery mode of qualifications
7. The new *Standards for Registered Training Organisations 2015* have introduced the notion of an 'earned autonomy model of regulation.' This means that some RTOs would have the ability to change their own scope of registration without requiring regulation. This has led to some private RTOs delivering courses beyond their scope of expertise, consequently resulting in a decline in the quality of training offered.

### **Recommendations**

8. VACC recommends that industry should have more of a role in authenticating and validating courses delivered by training providers. This is irrespective of whether a course is delivered by a public or private training provider. Emphasis should be placed on a course's employability outcome and it having industry approval. In addition, the regulator should be properly funded and have industry representation so that it can adequately perform comprehensive audits that also considers a program's volume of delivery.
9. VACC recommends that the regulator should place more attention towards an RTO's extension of scope. The examination of a private RTO's extension of scope must also have industry involvement as VACC is concerned that the regulator is not sufficiently

equipped to determine whether or not an RTO has the appropriate resources to deliver such training. This is an issue concerning private RTOs more so than TAFE providers, as TAFE providers, due to their not-for-profit nature, have the relevant internal governance structures to self-regulate. However, the for-profit nature of private RTOs means that many do not have the required internal accountability mechanisms.

### **The Marketing Operations of Private Training Providers**

10. VACC has witnessed countless cases of private RTOs using unscrupulous marketing techniques in an effort to increase student enrolment. VACC has witnessed private RTOs employ aggressive marketing techniques that have included cold calling and face-to-face interaction with VACC members.
11. VACC has witnessed private RTOs falsely stating to VACC members that a particular qualification must be undertaken for their trade due to legislative change. VACC has also witnessed cases of private RTOs using incentives to further encourage student enrolment. Such incentives range from free Ipads, laptops, and financial incentives. Further, VACC has also witnessed cases of VACC members receiving threats from private RTOs.

### **Recommendations**

12. VACC recommends that greater regulatory enforcement is required over the marketing practices of private RTOs. Currently, any regulatory effort on the marketing practices of private RTOs is limited to examining their websites. This is a weak enforcement practice as unscrupulous private RTOs can at any time, remove marketing elements on their websites that depict wrongdoing. Additionally, as previously discussed, there have been cases of private RTOs employing face-to-face interaction to market their programs. As such, VACC proposes that the regulator should develop enforcement strategies that can tackle this.

### **Case studies**

These are case studies that highlight examples of private RTOs acting unscrupulously towards VACC members. Such examples are important in depicting the severity of the issue and the importance of remedying this issue as soon as possible.

#### **RTO 1**

**Case 1:** RTO 1 visited a VACC member's business to tell the member that they will up skill him to a new Certificate III and also provide him a Certificate IV in Business Management. RTO 1 said that it would receive \$9,000 worth of government funds and therefore it would cost the member nothing to undertake the training. The member asked if he is required to do any exams and was told by RTO 1 that the only requirement was for RTO 1 to come to the member's work place and watch him fix cars.

**Case 2:** RTO 1 also visited another VACC member's site to sell a Certificate IV in automotive. The member and others within the work place signed up to the program and heard nothing from RTO 1 afterwards. The member contacted RTO 1 and realised that it was an international college. The member now does not know how his details are being used by RTO 1.

## **RTO 2**

RTO 2 visited a VACC member's site saying that for the years 2014/2015, it is a requirement for everyone to have a current training qualification, otherwise the person/company could receive a fine of \$50,000 to \$250,000. The manager from the member site noted that RTO 2 had a flyer that showed that a Government fine of \$50,000 to \$200,000 will occur if this qualification is not taken. When the member asked to keep a copy of the flyer, RTO 2 refused to give it to him.

## **RTO 3**

RTO 3 came to a VACC member's site to provide "cross training" for the member's employees. RTO 3 signed up all of the member's panel beaters into spray painting qualifications and all of their spray painters into panel beating qualifications. As both qualifications are listed under the National Skills Needs List (NSNL), the employees were eligible to undertake a second apprenticeship. In addition, employees are mature age, hence the business will receive \$8,000 for each employee undertaking a second apprentice. VACC notes that this is a major issue for the automotive industry as these cases are counted towards the apprenticeship numbers. The continuation of this loophole will consequently result in automotive skills shortage list to become defunct.

It should also be noted that RTO 3 also provided OHS auditing services for the member. However upon analysis, the consultants from RTO 3 did not have an OHS background and any OHS paper work conducted contained inaccurate OHS legislation. Further, the documentation that RTO 3 provided to the member, despite it being customised for the member's business, had other company names not related to the business.

## **RTO 4**

**Case 1:** In 2012, a representative from a private RTO (now defunct due to deregistration) came to a VACC member's business without an appointment and asked if any workers would like to upgrade their qualifications for free. The member spoke to the representative and explained that he had a light vehicle qualification and had started his heavy vehicle course but never finished it. The representative said that he would be eligible and went away to commence the process. The member said that after many months, they had not heard anything further. In early 2014, a representative from RTO 4 came to the business and said that they have been appointed to take over from the previous private RTO and would assess the member.

The member again explained his situation and was told that RTO 4 would conduct a Recognition of Prior Learning (RPL) assessment for him for his Heavy Vehicle qualification. The member was given a "pre-course survey" to complete. When the member looked at the

survey, he asked the representative if it was the correct one as it did not have anything to do with Heavy Vehicles in the material. RTO 4 replied saying that it was the correct one.

RTO 4 asked the member to “stage some photos.” When the member questioned the mock photo, he was told “don’t worry about it, the assessors wouldn’t have a clue what they are looking at.” As the member is employed at a heavy vehicle business, the photos were of him working on heavy vehicles. RTO 4 then took copies of the member’s Medicare card, his driver’s licence and some work invoices. The member was then asked to sign three times on a blank screen of an Ipad. RTO 4 made an appointment with the member to meet him at his home to record some answers to automotive-related questions.

Shortly after, the member received a qualification in the mail for AUR30405 Certificate III in Automotive Technology (Light Vehicle). When the member rang to explain that it was the wrong qualification, he was told that they are not registered to provide Certificates in Heavy Vehicle Technology.

**Case 2:** A representative from RTO 4 called to see a VACC member. The representative told the member that he would not be able to perform Roadworthiness assessments any longer as his qualification was too old and that he could upgrade it to the new qualification for free. The representative asked the member if he had any other staff that should get an upgrade as well. The member told the representative that he had two other staff, one was a Panel Beater and the other an Automotive Electrician that also had old qualifications. They each filled out an application form and the representative took copies of their licences and Medicare cards. The representative left each of them a pre-course survey and said a trainer would come out in the near future.

After the representative left, the member decided to do some checking and rang the VACC Area Manager to confirm what he had been told. The area manager informed the member that none of the information given was true and then contacted VACC Education and Training department to advise of the member’s concerns.

The member then rang RTO 4 and said that he wished to cancel all three enrolments. He was inform that it would be done. The following week a trainer from RTO 4 came out to the business and the member informed the trainer that all of the enrolments had been cancelled. The trainer said no problem and left. A few weeks later, all three received a certificate in the mail for AUR30405 Certificate III in Automotive Technology (Light Vehicle). No work was completed nor any evidence collected.

## **RTO 5**

**Case 1:** A VACC member has been receiving calls up to five times a day for RTO 5. RTO 5 has been told three times in a single day to stop calling. There has been two representatives from RTO 5 phoning the member’s business, with both representatives being abusive towards the member over the phone. One representative of RTO 5 threatened the member, saying that he would give his family a bad Christmas as he is a member of a certain terrorist organisation. The member called back RTO 5 and told them that he would phone the Australian Federal Police if he received another call from them.

**Case 2:** Another VACC member has also complained about RTO 5. This time RTO 5 was offering the member Recognition of Prior Learning (RPL) for Certificate III, then Certificate IV after the completion of the Certificate III. The member was concerned as she had given her personal details, including her partner's driver's licence, to RTO 5. RTO 5 has falsely promoted that they are associated with VACC. In addition, they have also noted that they have an affiliation with the Institute of Automotive Mechanical Engineers (IAME) the Society of Automotive Engineers (SAE). Further, RTO 5 is not on the RPL Provider List, despite RTO 5 promoting RPL programs.

## **RTO 6**

**Case 1:** A VACC member was asked by RTO 6 to pay a join up fee of \$250 for his qualified mechanic to undertake a Certificate III in Diesel Mechanics. RTO 6 promised the member that he would subsequently receive \$8,000 in Federal Government subsidies and \$1,500 in State Government.

**Case 2:** One VACC member had a representative from RTO 6 visit his business. The representative told the member that the government will be making it mandatory that all mechanics hold the Certificate III qualification, hence the member's staff should update their qualifications before the new laws take place.