ASQA proposed fees and charges
Cost Recovery Impact Statement

Response to exposure draft

Australian Council for Private Education and Training (ACPET)

9 April 2013
1. Introduction

The Australian Council for Private Education and Training (ACPET) is the peak body for private education and training providers in Australia. Australia’s private education and training sector offers quality, diversity and choice to students from Australia and around the world. ACPET’s core purpose is to enhance and promote the role of private tertiary education in order to achieve educational outcomes of the highest quality for individuals, their employers and communities. ACPET members deliver high quality private higher education, vocational education, and English language courses nationally and globally. A large proportion of ACPET members deliver vocational education and training and are registered and regulated by the Australian Skills Quality Authority (ASQA) in accordance with the requirements of the Standards for NVR Registered Training Organisations 2012.

2. Response to ASQA 2013 CRIS – exposure draft

ASQA and the key principles for cost recovery

The 2013 Cost Recovery Impact Statement (CRIS) – Exposure Draft outlines the transitional fees and charges that ASQA proposes to implement from 1 July 2013, in line with the Australian Government Cost Recovery Guidelines.

ACPET notes the explanation in the CRIS overview (p1) that ASQA is fully Budget funded, ‘but is also required to generate a certain amount of cost recovery revenue to be returned to the official public account, to offset that Budget funding, and give effect to the principle of cost recovery.’

The CRIS concludes (p51) that ASQA’s proposed fees and charges have been designed to comply with Australian Government Cost Recovery Guidelines and key principles for cost recovery, in that (they) ‘are applied to a narrow and identifiable group (and) relevant providers pay for the commercial advantage they receive, both from being registered and from belonging to a high quality regulated market.’

It is ACPET’s view that the benefits and beneficiaries of nationally recognised vocational education and training (VET) provided by registered training organisations or RTOs (as relevant providers) extend well beyond a commercial advantage achieved by one or a group of private individuals or companies operating registered training organisations (RTO).

The Council of Australian Government’s (COAG) 2012 National Agreement for Skills and Workforce Development has the objective of ‘a VET system that delivers a productive and highly skilled workforce and which enables all working age Australians to develop the skills and qualifications needed to participate effectively in the labour market and contribute to Australia’s economic future; and supports the achievement of increased rates of workforce participation’. The outcomes, performance indicators and targets that underpin this purpose are predicated on the delivery of high quality training and assessment - leading to qualifications - by a diverse and responsive group of some 5,000 public, private, community and enterprise RTOs. ACPET argues – as recognised in the COAG agreement – that the contribution of RTOs to the development of a highly skilled and productive workforce is of significant public benefit. On this basis, ACPET suggests that the costs of regulating the VET system should not be borne solely by the organisations subject to regulation, but should be shared in accordance with the benefits that flow to the wider community from a well-regulated system.
ACPET does not support the basis of the CRIS – namely the 2009 COAG decision that ASQA be established as a cost-recovery agency. ACPET does not accept that the services provided by ASQA meet a key underlying principle (CRIS, p2) of the Government’s cost recovery policy – namely that the beneficiaries of these services are ‘a narrow and identifiable group.’

While we recognise that there is validity in a user-pays model of VET regulation, we believe that a model of partial cost-recovery would share the cost of regulation across the diverse users – or beneficiaries - of the VET system, in particular RTOs and the taxpayer through the Budget. The substantial increase in proposed fees and charges outlined in the CRIS threaten the viability of RTOs and the capacity of the VET system to build a highly skilled workforce and deliver on the Government’s reform agenda.

3. Comments on proposed fees and charges

ACPET’s response to the proposed schedule of fees and charges (outlined in Appendix 1 to the CRIS) is as follows:

Proposed changes to RTO fees and charges

RTO registration fees

Initial RTO registration and renewal of RTO registration

ACPET believes that the significant increase in the proposed fee for assessment of initial registration applications (or more than 200 per cent from $3,300 to $10,210) will be a barrier to entry for prospective RTOs, particularly not for profit organisations and small organisations seeking to meet skills needs in regional and/or remote areas. Training organisations delivering in niche industry areas that are seeking initial registration will also be deterred by the high entry costs.

Existing not for profit and small to medium size RTOs face significant cost increases in renewing their registration, with costs the same regardless of a provider’s status. The cost of lodgement and assessment of a renewal application for an RTO delivering 10 qualifications will increase by 42 per cent, from $3,940 to $5,600. Such an increase will be prohibitive for many small providers.

ACPET proposes that a modified fee schedule for initial and renewal application and assessment fees be developed for not for profit and small (10 or fewer qualifications) providers based in regional areas.

Change to scope of RTO registration

The increase in proposed application fees for RTO changes to scope of registration are not, in ACPET's view, sufficiently explained or justified in the exposure draft. The proposed application fee to add one qualification to scope will increase from $350 to $920, on the basis that the proposed fee reflects the ‘actual cost’ of assessing and processing a change to scope application. While the proposed application fee will decrease if an RTO is seeking to add between four and fourteen qualifications at once, this is offset by a significant increase in the cost of adding units of competency – generally the domain of small and niche providers.

The CRIS outlines regulatory activities and tasks in relation to each application type in Table 1, page 8. ACPET assumes that consideration of an RTO’s risk rating occurs as part of the fourth activity referred to in the table, namely ‘assess application for compliance with the VET Quality Framework’. The following step outlined is to ‘schedule, plan and conduct an application audit, if required.’ We suggest that audit costs - in particular site audits and reporting – make up the bulk of costs associated with change to scope applications.
In line with this assumption, ACPET proposes that fees for change to scope applications be charged on a risk basis, using either the provider’s risk rating, a rating for the qualification or unit of competency, or a combination of the two. Charging a high-risk RTO the same fee for a change to scope application that will involve a site audit as that charged to a low-risk provider where an application will be approved without audit is inequitable. It is also inconsistent with the claim made in the CRIS regarding the design and implementation or proposed fees and charges (p7), namely that ‘charges are intended to ensure that additional costs for compliance activities are only applied to affected providers.’ ACPET is seeking a modified fee schedule for changes to scope of registration application based on provider risk and an alternative fee structure for applications where no audit is required.

ACPET is greatly concerned by the proposed application fee for RTO applications to transition to equivalent training package qualification(s) or accredited courses. There is no clear explanation for the proposed fee of $240 to review and approve the transition of a single unit of competency when a training package is updated, nor rationale as to why a similar administrative process for the transition of a qualification costs double this amount, or $480. While ACPET recognises that there is an administrative cost in processing applications for equivalent units of competency and qualifications, the timing of training package updates triggering transition applications are outside an RTO’s control. The significant increase in fees for transition applications will compound the strain placed on RTOs in budgeting for training package updates.

To minimise this strain, ACPET recommends that the cost of transition applications be reflected in an RTO’s annual registration fee.

**Annual RTO registration**

ACPET is concerned that annual registration fees outlined in the 2011 CRIS that were to have applied to providers from 1 January 2014 have more than doubled (the minimum fee) and will be brought forward by six months to 1 July 2013. ACPET member RTOs have based current and future budgets on the 2011 advice and ACPET does not believe that the CRIS provides a reasonable case for changing the fee date, let alone the substantial fee increase.

While some RTOs subject to transitional arrangements will not be affected by the new annual fee census date, it would appear from the overview section of the CRIS that ASQA underestimated its initial setup costs and is seeking to recover a greater portion of these costs. ACPET does not believe that a miscalculation in the costs of regulation by Government should be passed on to RTOs subject to such regulation, nor that such practice is consistent with the Government’s cost recovery guidelines.

Table 1 within the CRIS refers to the tasks/activities carried out by ASQA staff that may be covered by the Annual RTO registration fee. These are:

- provide information via the ASQA Info line, utilising risk and compliance staff expertise
- develop and maintain ASQAnet
- maintain provider records including processing of applications with no associated fee.

ACPET accepts that a portion of an RTO’s annual fee would be used to fund a range of core regulatory services, as outlined above, but not that such services would be wholly funded in this way. Nor do we accept the size of the increase in the base fee for all providers, regardless of size. An RTO with 10 qualifications on scope will pay a proposed annual fee of $1,350; while one with 11 or 60 qualifications will pay double this amount, or $2,925. Larger providers with any number of qualifications on scope above 60 will pay an additional $1,575 annually. It is not clear how this fee structure has been developed or how it relates to the demand for activities covered by the fee in Table 1, which have presumably been based on provider size. ACPET’s view is that the proposed annual registration fees will place a
disproportionate burden on not-for-profit and smaller RTOs, consistent with the negative effect of proposed initial and re-registration fees.

ACPET believes that larger providers with more than 60 qualifications on their scope of registration should incur a higher annual fee, consistent with their revenue from the delivery of nationally-recognised training. The corollary to ACPET’s support for an annual fee based on revenue is that an RTO’s risk rating be an equal part of the equation, with a reduction in annual fees payable by low-risk RTOs, i.e., revenue + risk rating = annual registration fee.

In line with this view, ACPET recommends that the annual RTO registration fee be based on an RTO’s revenue and risk rating and not on the number of qualifications on its scope of registration. Lower-risk RTOs are likely to require less contact with ASQA with additional costs borne by higher-risk RTOs requiring greater scrutiny.

**Compliance monitoring audit of an RTO**

ACPET supports the proposed increase in the charge for a compliance monitoring audit and the removal of a cap on monitoring audit costs. This support assumes that ASQA has established a transparent risk-based framework for monitoring the continuing compliance of providers requiring follow-up audits. Further, ACPET requests regular (quarterly) reporting by ASQA on the average length and cost of compliance monitoring audits and an explanation of audits that run for longer than average timeframes.

**Offshore monitoring relating to an RTO**

ACPET supports the proposed fees for offshore compliance monitoring audits. As per the request for regular reports on monitoring audits, ACPET would request similar information for offshore monitoring audits, including details of how travel time is calculated.

**Investigation of a complaint about an RTO**

ACPET supports the proposed increase in the per hour charge for investigating a complaint about an RTO, as well as the removal of a cap on investigation costs. Again, ACPET will be seeking transparent reporting of the average length and cost of complaint investigations.

**Proposed changes to CRICOS fees and charges**

**Initial CRICOS registration and renewal of CRICOS registration**

As for initial applications for RTO registration, ACPET believes that the significant increase in the proposed application and assessment fees for CRICOS registration will discourage existing RTOs from seeking to offer education and training to overseas students. The reason for increasing the application lodgement fee by 60 per cent (from $640 to $1025) is cited in the CRIS as being ‘due to the work involved in conducting a completion check of the application.’ Likewise, the increase in the application assessment fee from $4,300 to a proposed $11,475 (a 167 per cent increase) will reduce the likelihood of small or niche providers extending their offerings to international students, and result in a further decline in the value of education and training as one of Australia’s key exports.

In relation to renewal of their CRICOS registration, smaller providers will face significant cost increases, with costs the same regardless of a provider’s size. Such an increase will be prohibitive for many small providers and may result in them exiting the international student market. With the exception of a reference to minimising the regulatory burden on dual-sector (i.e., VET and higher education providers) the CRIS does not refer to a similar approach to integrated audits for RTOs renewing their RTO and CRICOS registration simultaneously. ACPET would dispute the additional cost of $6,205 for RTOs seeking CRICOS registration if an integrated site audit was conducted for both applications.
Change to scope of CRICOS registration

ACPET questions how ASQA has ‘identified a higher base cost for processing applications to add qualifications to a provider’s scope of CRICOS registration’ when the activities listed in Table 1 of the CRIS mirror those for an RTO change to scope application, with the one difference being that an application is assessed for compliance with the relevant CRICOS standards rather than with the VET Quality Framework.

As per the comments regarding the increase in proposed application fees for RTO changes to scope of registration, ACPET does not believe that a sufficient case has been made for the significant increase in CRICOS change to scope fees. While larger providers applying to add more than seven qualifications to their scope will benefit from the proposed fees, smaller providers with fewer qualifications and infrequent scope updates will be disadvantaged. The CRIS (p30) states that ‘roughly half of (CRICOS) renewal applications are for no more than four qualifications,’ suggesting that a fairly small number of large CRICOS providers will benefit from this change.

Annual CRICOS registration

ACPET’s concerns regarding the proposal to implement annual ASQA fees from 1 July 2013 instead of 1 January 2014 also apply to CRICOS annual fees. While the proposed increase in the base annual fee is not as significant as other fee increases (as ASQAnet and online registration is not available), it is still substantial given that the base RTO registration fee is also payable. It appears that providers paying both base fees are effectively paying twice to cover the costs of the ASQA Info line, utilising risk and compliance staff expertise and maintenance of provider records, including processing applications with no associated fee, as the same activities are covered by both base fees.

As per the RTO annual registration fee, ACPET argues that a combined consideration of provider revenue and risk are a more suitable basis for calculating an annual provider fee, while recognising that there are some higher costs associated with CRICOS regulation regardless of provider size.

A number of ACPET members who deliver ELICOS courses or are cross-sectoral (and deliver a combination of VET, ELICOS and/or higher education courses) will be negatively impacted by the significant increase in CRICOS renewal, change to scope and annual registration fees. In its submission responding to the CRIS, English Australia has expressed concerns about the detrimental effect of the increases on its members, a number of which are also ACPET members. Further, English Australia has questioned the appropriateness of a situation whereby some providers in the ELICOS sector are subject to ASQA and a fee structure based on a cost recovery model, while other providers in the same sector are subject to TEQSA which does not operate on a cost recovery basis. ACPET supports English Australia’s call for a review of the fairness of the two fee structures as they apply to ELICOS providers.

Compliance monitoring audit of a CRICOS provider

ACPET supports the proposed increase in the charge for compliance monitoring audits of CRICOS providers in line with legislative changes providing ASQA with this authority. If legislative change was to occur, ACPET would request regular (quarterly) reporting by ASQA on the average length and cost of compliance monitoring audits and an explanation of audits that run for longer than average timeframes. In the meantime ACPET supports the current charge.

Investigation of a complaint about a CRICOS provider

Subject to legislative change to allow ASQA to charge CRICOS providers for the investigation of complaints, ACPET supports the proposed increase in the per hour charge for investigating a complaint as well as the removal of a cap on investigation costs. Again, ACPET would be seeking transparent
reporting of the average length and cost of complaint investigations. In the meantime, ACPET supports current arrangements and charges for the investigation of complaints about CRICOS providers.

**Proposed changes to VET course accreditation fees**

**Initial VET course accreditation, renewal of VET course accreditation and amendments to VET accredited courses**

The increase of almost 200 per cent (from $2,700 to $8,070) in the cost of initial and renewal applications for the accreditation of VET courses is substantial and will affect providers offering niche courses not covered by training package qualifications. The effect of the fee increases will be apparent as courses fall due for renewal and ACPET urges ASQA to canvass the views of accredited course owners in this regard to ensure that students and specialist industries are not disadvantaged.

ACPET has a number of members delivering accredited courses that are highly valued by industry and for whom the four-fold increase in accredited course amendment fees will be prohibitive. One example is Sydney-based Whitehouse Institute of Design, which delivers three accredited fashion design courses that are highly valued by the fashion industry. The current situation is that, due to the introduction of a new unit (equivalent to the existing one) which is embedded within each of the three courses, Whitehouse Institute must lodge an application to amend their scope for each course. The current cost of this application is prohibitive at $1,500. The proposed fee for an amendment to scope for this application would be $2,290 per course, or $6,870 in total. This would make the delivery of such specialist courses by all providers unfeasible.

**Cancellation of a VET accredited course**

ACPET supports the removal of the application fee to cancel an accredited course.

**Proposed changes to other fees**

**Reconsideration of an ASQA decision**

The two-fold increase in the cost (from $500 to $1000) of lodging an application for reconsideration of an ASQA decision appears to be an arbitrary one, with no explanation as to the reason for the increase, except that it still does not reflect the full cost of processing an application for reconsideration of an ASQA decision.

The costs of processing a reconsideration application are likely to vary according to the nature of the decision being reconsidered, and ACPET suggests that a capped hourly rate would be more reflective of the tasks involved (as outlined in Table 1).

If ASQA reverses a decision - or an intention to make one - following a reconsideration process, it appears unreasonable to retain the application fee. ACPET requests that this policy be reconsidered.

**Reassessment of an ASQA position**

Once again, ASQA’s policy of retaining the application fee for a reassessment of an ASQA decision is, in ACPET’s view, unreasonable. The model, however, of charging an hourly rate with a minimum of four hours seems reasonable.

**Issuing a copy of a student record**

ACPET’s concerns with ASQA’s proposal to bring forward fees and charges planned for 1 January 2014 to 1 July 2013 have already been expressed in relation to the charging of annual fees.
While we recognise the need for ASQA to recover costs associated with reissuing student records, we request that ASQA exercise discretion in issuing replacement qualifications to individuals who have not received their initial qualification due to provider closure.

**More information and contact**

For clarification of any aspect of this submission please contact:

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