Education Minister Christopher Pyne has been urged to investigate the ‘marketing practices and information provided to students’ at education companies issuing government-funded VET FEE-HELP loans. Photo: Andrew Meares

Public TAFE colleges have called for an urgent federal government inquiry into the “extraordinary revenue and profitability claims” made by some listed private education providers and others expected to float soon.

Martin Riordan, chief executive of TAFE Directors Australia, which represents TAFEs nationwide, has written to Education Minister Christopher Pyne urging he investigate the “marketing practices and information provided to students” at education companies issuing government-funded VET FEE-HELP loans.

Mr Riordan said the fact that one ASX-listed education company, Vocation, is being investigated by securities regulator ASIC strengthened the case for a wider inquiry.
“The [revenue and profit] data seems so amazing that closer scrutiny is important to establish transparency about how student loans have been issued, and whether there were breaches by private colleges issuing VET FEE-HELP loans,” Mr Riordan said.

Government figures show that the VET FEE-HELP scheme grew from $25 million worth of loans in 2009 to $709 million in 2013 and $770 million up to the end of July in 2014.

VET FEE-HELP is a scheme similar to the HECS loan scheme for university study, but is used by vocational education students to gain diploma-level qualifications.

The loans to students, provided by the government, go directly to the education provider to pay course fees.

The loans enable students to enrol in a course without paying any money up front, but they repay through the tax system once their income reaches about $50,000.

SOME ‘UNSCRUPULOUS OPERATORS’

Mr Riordan said that profit projections for some listed and about to be listed education companies “appeared to be based almost exclusively on federal VET FEE-HELP loans”.

In 2013 and 2014, nearly one-fifth of VET FEE-HELP loans have gone to one rapidly growing provider, the Australian College of Training and Employment, trading as Evocca College, a private company which has been at the centre of speculation about a float.

Another company, Australian Careers Network, is set to list on the ASX on November 28 after posting a $25.5 million profit from $50 million revenue in the 2014 financial year.

The Australian Financial Review is not suggesting that either of these companies have breached the law.

The organisation representing private colleges agrees there are “unscrupulous operators” among education provider companies, and held a summit meeting last Thursday to tackle the problem.

“Our industry is not going to bury its head in the sand and pretend there isn’t a problem with a small minority of providers,” said Rod Camm, CEO of the Australian Council of Private Education and Training (ACPET).

Mr Camm said he believed changes should be considered for the VET FEE-HELP scheme and ACPET would discuss the issue with the government.

Last Thursday’s meeting agreed to develop new codes of practice which would regulate marketing of courses and student recruitment – including the growing use of brokers to sell courses and the use of contractors to deliver them to students.

A spokesperson for Mr Pyne said the government regularly reviewed the VET FEE-HELP scheme for its effectiveness. “Where there are unintended consequences which negatively impact on the public, the government will consider and implement changes,” the spokesperson said.