



Mr. C. Robinson  
Chief Commissioner  
Australian Skills Quality Authority

April 9, 2013

**Re: ASQA 2013 Cost Recovery Impact Statement – Exposure Draft**

The Victorian TAFE Association (VTA) welcomes the opportunity to [comment on the ASQA 2013 Cost Recovery Impact Statement – Exposure Draft](#) on behalf of our member constituents. It is also likely that some of our member TAFE institutes will submit individual responses to the consultation process.

The VTA is the peak employer body for Victoria's TAFE sector. VTA members include four dual sector Universities, fourteen stand-alone public TAFE providers and AMES. Victorian TAFE providers are actively engaged in VET at the state level as well as nationally and internationally.

VTA supports in principle the need for ASQA to charge for its regulatory functions and to do so, on a cost recovery basis. However VTA will not be commenting specifically on the proposed fees and charges as detailed in the 2013 cost Recovery Impact Statement – Exposure Draft but rather we offer some suggestions on the underpinning principles of the design structure of the schedule and impact on business planning.

**Adopting a risk management approach**

The Cost Recovery Impact Statement describes the activities of ASQA including national program of regulatory data collection and analysis which enables the development of a risk profile of each provider (Draft CRIS p.3) and that 'Charges are intended to ensure that additional costs for compliance activities are only applied to affected providers.' (Draft CRIS p.7).

The object of a rigorous registration process, for RTOs and CRICOS, is to ensure the quality assurance of registered training providers and this should be reflected more obviously in the fee structure. Under the draft schedule, the bulk of the fees attached to the registration, for RTO status and CRICOS, and the fee structure are based on the size of the RTO and the time taken to carry out the subtasks under the registration process. We would suggest that rather than size being the sole determinant of the registration fee, the determination should factor in the risk rating of the organisation. Under the draft schedule, the risk rating of the RTO does not occur until the actual registration process. It is conceivable for example that a small or medium high risk RTO could require more time on assessment than a large low risk provider.

While TAFE institutes would agree that public ownership cannot be viewed as a proxy for quality, under a system that aims to regulate and register providers proportionate to risk, TAFE Institutes could expect to cost less to register on the basis of their low risk to government for market failure, long term operation, financial stability, community recognition, and business management systems.

The initial registration application (which is proposed as a flat fee) could include both a thorough risk assessment and the assignment of the appropriate risk rating to the applicant. The registration fee would

then be calculated including the variable of the risk rating of the organisation rather than the size (number of sites/qualifications/ additional units of competency). The CRIS repeatedly refers to the intelligence ASQA has gained in the past two years regarding the actual number and level of staff required to complete regulatory activities and their salary costs. This intelligence can be applied to revise the fee structures to recognise the diminished effort to regulate a low risk provider versus a high risk provider. A tiered fee structure may act as an incentive to providers to strive for the highest quality standards to achieve a *low risk* status by ASQA.

If appropriate, the flat fee structure at the application stage could be increased to allow for the extra time devoted to the risk assessment and risk rating and correspondingly the fee could be decreased at the registration stage.

## **Impact on Business Planning**

### **1. Changes to payment conditions**

As noted in the Draft CRIS (page 12), applicants do require a clear understanding of the full cost of application to ASQA for registration. The Draft CRIS proposes changes to payment conditions from *paid on invoicing* to *paid on application* for:

- initial RTO registration application assessment fee,
- renewal of RTO registration application assessment fee,
- initial CRICOS registration application assessment fee, and
- renewal of CRICOS registration application assessment fee.

The Draft CRIS does not sufficiently explain the business rationale for these changes. For organisations like TAFE providers, the proposed cost for assessment fees for renewal of RTO registration and CRICOS registration will be substantial investments requiring a level of risk and the highest levels of authority for payment. Business-to-business relationships in these instances are generally prefaced on the supplier of the services providing a written quote. Once accepted, the services are exchanged and an invoice issued by the supplier.

VTA rejects the proposed changes to the payment conditions as they do not reflect contemporary business processes including risk management practices.

We seek justification for the proposed changes to payment conditions and as an alternative recommend that new processes are developed and adopted whereby ASQA issues a quote for any services where the likely cost is >\$10,000. Upon acceptance of the quote, services are exchanged and an invoice issued on completion.

### **2. Proposed methods to contain costs for TAFE providers**

The cost recovery impact statement indicates ways to contain costs for TAFE providers with diverse international offerings which initially sound pragmatic. However if ASQA continues to process registration applications in its current mode, TAFE providers will not be able to take advantage of the economies of scale on offer and will face considerable cost increases.

For example, the current proposed changes to CRICOS fees and services indicate a significantly higher base for processing the first application for a change of scope to CRICOS registration (an increase of approx. 300%) with a reducing amount for the second to ninth qualifications.

This model implies that there will be less work for ASQA to process multiple changes in the one application and in principle this is sound business practice.

From the TAFE providers' perspective, while economies of scale are being encouraged this is not supported by the historic delays in processing by ASQA. Practice has shown that the submission of several changes in the one application means an even longer service period with all items in the application then being held up potentially for months - when there may be queries about an aspect of only one change to scope.

In practice, TAFE providers, with their operational timelines, will be hesitant to take advantage of the potential economies of scale and will face a significant cost burden.

### **3. Proposed transition arrangements from July 1, 2013 – annual registration fees**

Victorian TAFE providers plan and report their activities based on the calendar year. TAFE providers in good faith have budgeted for the cost of fees to ASQA in the calendar year 2013, based on current knowledge. In relation to the new Annual RTO Registration fee and the Annual CRICOS Registration fee, to bring forward the introduction of new fees to the middle of 2013 is unbusinesslike on ASQA's behalf. There has been no forewarning of introducing these fees earlier than planned. The introduction of these fees should take effect from 1 January 2014 as originally planned.

### **4. Offshore monitoring related to an RTO**

The information in the CRIS 4.6 Offshore monitoring related to an RTO does not provide sufficient detail for TAFEs to understand the likely costs from offshore monitoring activities. For example, in relation to 'all travel related costs' what are the items included? VTA suggests including the word 'reasonable'.

VTA acknowledges ASQA is moving to full cost recovery but cannot understand the justification for charging travel time at the same hourly rate as audit time where offshore monitoring occurs.

In relation to travel time there should be some clarification regarding the amount of travel time that an RTO is expected to pay. The document is clear in terms of what they charge per hour for compliance monitoring and that there is a 4 hour minimum. The document is also clear that in the event that ASQA does compliance monitoring in other countries that the travel time hourly rate is the same as the audit time. The CRIS does not offer any explanation as to what 'travel time' is. Does this refer to travel time to and from Australia to the country where the delivery occurs or travel time to and from the offshore site that is being monitored. Many, many hours may be taken in internal travel in some countries where VET is delivered due to the nature of the infrastructure in those places.

What is reasonable in terms of the amount of travel time given that travel to and from an overseas location is at least a day of travel each way? VTA proposes a fixed daily rate that is associated with travel to and from the destination.

## **Recommendations**

1. That the initial registration application includes a thorough risk assessment and the assignment of the appropriate risk rating to the applicant.

2. That the associated fees for the registration of the RTO applicant is based on the risk rating and not the size of the organisation (number of locations, number of courses proposed on scope of registration).
5. For services costing >\$10,000, ASQA implements a business process for RTOs to obtain a quote with an invoice issued by ASQA once the services have been provided.
6. Annual RTO Registration fee and Annual CRICOS Registration fee to be introduced 1 January 2014.
7. ASQA reviews the methodology for charging RTOs for travel time/travel costs. In respect of travel costs and detailed list of chargeable items should be provided. In respect of charging for travel time, a fixed daily rate should be applied rather than an hourly rate.

I trust you will consider these suggestions in the course of your deliberations and the VTA would be happy to discuss the issues raised.

Yours sincerely



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