



**THE SENATE**

**STANDING COMMITTEE ON EDUCATION AND EMPLOYMENT**

**Inquiry into the VET Student Loans Bill 2016**

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**Submission from TAFE Directors Australia**

21<sup>st</sup> October 2016

## About TDA

TAFE Directors Australia (TDA) is the national peak body representing the interests of Australia's publicly funded TAFE institutes and VET divisions of joint sector Universities. Our members provide education and training to over 1.6 million Australians seeking skills and training and as a network the largest providers of quality Nationally Recognised Training across all industry sectors.

'TDA' operates under Ministerial approval a national domestic tuition assurance scheme for TAFE Institutes, and a small number of not-for-profit and private colleges based on a low-risk quality criteria. Tuition assurance is a requirement of federal legislation, which is deemed as necessary for Commonwealth registration of VET FEE-HELP providers (public and private).

## Our Purpose

TAFE Directors Australia is committed to improving the quality and reputation of Australia's Vocational Education and Training system and provides support for TAFE as an iconic Australian brand to lead quality in the VET sector.

## Overarching Comments

The much abused VET FEE-HELP scheme has damaged Vocational Education as a sector, with good providers being tainted by those that have seen students merely as a pathway to taxpayer money.

Therefore TDA supports the Government's intentions to close the VET FEE-HELP scheme and replace it, on the 1<sup>st</sup> January 2017, with a VET student income contingent loan scheme that will shut the door on bad training providers.

However, while supporting the new scheme in principle, TDA seeks consideration for change.

First TDA, draws the attention of the Committee to the primary tenet of all Government income contingent student loan schemes, as defined under the National Partnership Agreement (NPA) on Skills and Workforce Development.

The NPA Agreement 2013-17, provided for additional training places with emphasis in higher level skilled occupations, in return for Commonwealth extending student loans under the VET FEE-HELP loan scheme. Within this NPA Agreement, some 60% of the weight of the Agreement was based on **access and equity**. Yet the new loans scheme, as proposed by Minister Birmingham, raises genuine concerns. TDA proposes in this submission that access and equity can be delivered in the new scheme without significant cost impact by embracing the nation's TAFE Colleges to deliver fairness in access to loan funds and scope of courses to the benefit of students, employers and regions.

For this reason, TDA proposes that just as TAFEs were exempt from reapplying for provider registration under the new loans scheme, in fact a moratorium of 12 months apply to TAFE Institutes in lieu of (a) completion of the NPA Agreement and its terms by 30 June 2017, and (b) post-Budget 2017 clarity from Minister Birmingham on the terms of reforms to higher education, as to date many universities are strongly advocating extension of sub-bachelor CSP funding which would require significant modelling before being implemented.

The new loans scheme as proposed will deliver significant cost shifts and burdens that will be imposed upon:

- individuals who wish to undertake courses not covered by the scheme;

- State/Territory jurisdictions that will experience increased demand for places in State subsidised courses; and,
- training providers through significant disruption and administration costs, also lowered demand.

The ramifications of the changes, as proposed without amendments, are extensive; a key concern for our TAFEs is that prospective VET diploma students will instead be drawn to simpler, more navigable and likely Commonwealth subsidised study paths through bachelor and sub-degree courses especially if further extended to reforms in higher education to the benefit of Universities. This will inevitably further decrease participation in VET Diploma courses, that are highly valued by industry, particularly key technical paraprofessional qualifications.

Mindful of the critical role of quality, our submission shows the need to ultimately adopt threshold provider standards for the scheme that will, as in the Higher Education sector, avoid the need for prescriptive and detailed compliance requirements. It is our view that the proposed registration criteria for the VET Student Loans Scheme will not necessarily exclude bad providers who will merely adjust their quality down to the meet the funds on offer.

In this submission TDA will highlight the critical importance of streamlining proposed transitioning and implementation details of the new loans scheme. We note that many important reforms have faltered due to poorly executed change management. We will also discuss the need to ensure that existing bona fide VET FEE-HELP students are not disadvantaged by the transition process.

### **Access & Equity – the Key Issue**

The principal reason for establishing the VET-FEE HELP scheme and extending access in 2012 was one of access and equity. Many Ministers, MPs and Senators have applauded this measure. As Senator Scott Ryan, the then Minister for Vocational Education & Skills noted in the Redesigning VET FEE-HELP Discussion Paper released earlier in 2016,... that since it commenced in 2009, *‘the VET FEE-HELP scheme has supported hundreds of thousands of Australian students to participate in VET and gain qualifications.’*

The argument that VET Diploma students should be granted the same privilege as higher education students in accessing loan funds and **participating** was as persuasive then as it is now. Moreover the Commonwealth Government has, as part of its National Partnership Agreement with States & Territories, an obligation to support access and equity for VET students through the provision of an income contingent loan scheme.

The fact that the scheme was badly abused by unethical private training providers does not detract from the merit of the equity argument. However in moving to block the bad behaviour of a few private providers, the VET Student Loans Bill 2016, unlike the higher education HELP schemes, impedes student access to many Diploma and higher level VET courses and also restricts the amount of loan money accessible for many courses on the eligible courses list.

The effect on students in terms of access and equity is significant:

- With the annexing of approximately 500 qualifications from VET student loans eligibility, students seeking certain skills and qualifications will be forced to pay up-front fees. Only those who have money for up- front tuition fees will be able to enter the courses.

- The proposed fee bands for eligible courses are, in some cases, below the cost of providing the courses. In these cases, the price of the course will be above the maximum loan amount. Only those students who have money to pay the difference as up-front tuition fees will be able to enter the course.
- State and Territory Governments subsidise certain Diploma courses. The level of subsidy varies across the Federation. As such, students in some States may find that the amount they can borrow as a VET student loan is adequate, net of the State subsidy, while in other States it will be inadequate and as such students will, if they are able, need to pay money up-front for the differential in tuition fees, or otherwise not train.

All of the above cases are in contrast with the access students have to higher education and further it must be acknowledged that VET students do not have strong voice in policy matters that affect them.

Universities and TAFEs hold similar levels of community esteem and trust, yet Universities enjoy significant levels of autonomy about the courses they offer – most of which are covered by HELP loans, while rules designed to rein in rogue training providers unnecessarily restrain access for VET students wishing to use VET loans to undertake the course of their choice at TAFE.

TDA recommends that the access and equity issues that arise from the VET Student Loans legislation may be satisfactorily addressed by allowing TAFEs to provide loans for any Diploma and higher level VET courses on their scope of course registration and without the need to specify fee bands.

Accessing no more than 20% of total VET FEE-HELP funds (2014 figures) TAFE students have not been the cause of the VET FEE-HELP expenditure blowout nor is there a likelihood of such occurring in the future.

### **National Audit Office Report**

The Senate Committee is being asked to consider the VET FEE HELP legislation in the absence of a thorough review commissioned by the National Audit Office into the failed student loans scheme. A particular issue in this NAO review was an inquiry into the loss of a likely \$3 billion in student loans to the Australian taxpayer.

TAFE Directors submits that as the draft NAO report may now or soon be finalised, at least a preliminary report or early release of the draft report should be made available, to ensure the reasons for the past scheme's losses may be identified. More importantly, that the Senate Committee and TAFE and VET stakeholders may feel better assured that the measures in the legislation and architecture planned for administration will indeed overhaul our current concerns.

### **Cost Implications**

The Explanatory Memorandum accompanying the VET Student Loans Bill notes, under the Financial Impact Statement, that 'these measures will reduce the value of new student loans being issued by more than \$2.4 billion per annum by the end of the forward estimates in 2019-20. This will be realised, in part, by cutting over half the courses currently delivered under VET FEE-HELP, approximately 500 diploma courses, and by setting fee band caps for those courses on the eligible approved course list.

The cost impact of these actions will be felt by:

- individuals who wish to undertake a course not covered by the scheme and will need to pay fees up front or, in cases where the fee band cap does not adequately cover the course cost, students will need to pay the difference up front;
- State/Territory jurisdictions that may need to increase their funding of State subsidised courses as students shift from courses for which they were previously able to obtain a loan ; and,
- training providers through disruption including added administration costs, especially in the transition period, and lowered demand and revenue from previously eligible courses.

In a general sense TDA asserts that the \$5,000 band is below the cost of quality provision for any Diploma course.

We also note that the adequacy of a particular fee band loan limit to cover student tuition fees will vary from State to State when the effect of partial State course subsidies, which vary significantly, are taken into account.

Regrettably, the Government has yet to release the financial modelling to provide evidence for the band caps, and the course cuts, beyond a media statement on unnecessary courses being dropped.

### **Impact on Tertiary Sector Policy**

The Government's decision to enact separate legislation for the VET Student Loans Scheme sets VET apart and different from the tenets of the higher education HELP schemes. This presents VET students with a more complex path than higher education students and, as discussed above, may result in fee gaps that they will need to meet themselves between loan caps and provider prices. This will make VET courses less attractive than higher education bachelor level courses at Universities where students have no upfront costs for heavily subsidised courses. It is not surprising that Universities are pushing for Commonwealth subsidies to be extended to sub-degree level courses.

VET paraprofessional courses have been highly successful in industry, combining applied skills with professional knowledge. As such the VET courses are better than sub-degree programmes at University because they are delivered as applied learning and the graduates are job ready. It is vital that the changes to VET student loans do not precipitate a drift of VET paraprofessional students to Universities and higher education providers.

### **Regulation & Governance**

The provision of education and training is a public good akin to the provision of health services. As such training providers should be regulated and governed to ensure the public, including those that do not have good market knowledge, are guaranteed to receive a minimum but high level grade of service and competency.

It is a matter of record that the public in Australia has not been adequately protected from unscrupulous training providers as Governments experimented with varying levels of market openness.

It is also clear that the fundamental or base line level of regulation provided by the Australian Skills Quality Authority (ASQA) has not met the expectations of public funders including State /Territory Governments and notably the Commonwealth Government in the provision of VET FEE-HELP. The evidence is that each purchaser of training has exercised their power by raising the quality and other requirements above the level set by ASQA as a pre-qualification to receiving funding. Moreover some, as in the case of the Commonwealth with the proposed VET Student Loans legislation, have incorporated significant compliance default actions including civil penalties.

A far better form of regulation and governance of providers is in place in the Higher Education sector where prospective higher education providers are required by the Regulator, TEQSA, to meet threshold standards. As such only high quality, low risk providers are able to enter the sector. This results in a more trusting and ethical governance environment where the emphasis shifts from prevention of bad practice to the enhancement of good educational practice and outcomes.

TDA sees no option for the long term success of the VET Student Loans Scheme, if it wishes to enjoy the trust and esteem of students, employers and society, than to restrict provider registration to those that meet threshold standards, that together ensure high educational quality, robust financial status and a proven ability to meet the needs of employers both in the quality of graduates and the profile of courses. TDA acknowledges the Government taking the first step in this process by not requiring TAFEs to apply to become VET Student Loans Providers.

Without threshold standards there is a risk that the Commonwealth will approve for-profit private providers that will reduce their costs and quality to meet low loan caps.

In the medium term, TDA notes the Government's intention to establish a VET Ombudsman. It is important that the role of this officer be more than managing complaints. Rather the role should provide consumer awareness of the decisions of regulators, including from non-referring States, and consumer protection which to date has required the intervention of Commonwealth, State and community based consumer protection bodies.

### **Transition & Implementation**

Two areas of the proposed Legislation and associated Rules that are prominent in member feedback to TDA are:

- Eligible Course List
- Fee Bands

While subject to a short consultation period by the Department, it is clear that both include many inconsistencies that will need to be addressed.

Such inconsistencies are not unexpected and are characteristic of significant change implemented in a short timeframe.

However the degree to which the inconsistencies and omissions emerge as significant issues possibly causing deep concern to those people the sector primarily serves, ie. students and employers, will depend on stakeholders being assured that the legislative instrument that defines both the eligible course list and the fee bands remains sufficiently flexible and responsive, especially in the transition to the scheme.

Earlier in this paper, TDA suggests that TAFEs should not be required to conform with the eligible course list for reasons of providing access and equity to students.

The proposed legislation allows for current VET FEE-HELP students to be 'grandfathered' until 31<sup>st</sup> December 2017 so as to complete their studies under the current loan scheme. In making the transition to the new loan scheme it is important that no bona fide student is disadvantaged.

Students particularly at risk in the transition are those recently enrolled, including through State tertiary admission centres for the 2017 academic year, and those with study patterns that may reasonably take longer than one year to complete. TDA notes that the Australian Qualifications Framework specifies a duration of 18 months to two years for Diploma courses. There will also be students who, through no fault of their own, encounter an unexpected delay in their ability to complete their course. It is important that transition arrangements are sufficiently flexible to meet student needs by extending VET FEE-HELP loan access beyond 31<sup>st</sup> December 2017 and not causing unnecessary distress.

Transition arrangements imposed by the VET Student Loans legislation and instrument must align with other Commonwealth regulations concerning the Australian Qualifications Framework and time periods for changing from superseded to superseding training packages.

There will be few tears for current low quality VET FEE-HELP providers that are not approved either provisionally or formally for the new scheme. However there is an elevated risk that some of these providers will cease trading, possibly abruptly, leaving existing VET FEE-HELP students without ongoing tuition. It is important that risk assessment and planning for such events takes place within the Department of Education & Training as soon as possible.

Our TAFE national body, TDA stands ready to support students displaced in this way. For this reason, TDA suggests a consumer protection package is identified with Government, which will support displaced students.

TAFE Directors Australia operates a tuition assurance system approved by the Minister. Although TAFEs currently are registered with just 20% of VET FEE-HELP loans (2014 data), the private college fall-out could be substantial and the Commonwealth may be supported by TAFE if adequate planning and notice is provided.

### **Conclusions & Recommendations to the Committee**

1. TDA supports the cessation of the VET FEE-HELP scheme and the introduction of the VET Student Loans Scheme although highlights the access and equity issues that arise for VET students.
2. TDA recommends that consideration of TAFE Institutes and those dual sector Universities with TAFE divisions should be exempt for a period of 12 months to 1 January 2018 from the new VET Student Loans scheme, on the basis of students not being disadvantaged in terms of access and equity in accessing higher level VET courses as originally designated in the NPA Agreement, and as such that the proposed eligible course list and fee bands should only apply to non-TAFE providers from 1 January 2017.

It is important to transition carefully from the old scheme such that no student is disadvantaged.

3. TDA recommends that grandfathering for existing VET FEE-HELP students is extended beyond 31<sup>st</sup> December 2017 to ensure existing students are able to complete their courses.

A package may be necessary to support students beyond current measures envisaged. TDA is willing to support this response.

4. TDA recommends that scenario planning commence for managing the possible failure or shut down of private providers and stands ready to support displaced students.

The long term success of the VET Student Loan Scheme will be assured if greater governance support is also considered, especially by extending to the VET sector the higher education model of a set of threshold standards for initial and on-going provider registration beyond 1<sup>st</sup> July 2017.

5. TDA recommends that the Committee encourage the examination of threshold standards for VET providers and particularly those approved as VET Student Loans providers.

In moving to a different type of loans scheme than that available to Higher Education students there is a danger that the VET sector will lose paraprofessional students to Universities. This may intensify the technological skill shortages now facing the Australian economy.

6. TDA calls on the Committee to be mindful of the risk of VET students moving to inappropriate University courses as a consequence of different loans schemes and subsidy levels, especially if considering any future move to allow Commonwealth subsidies of sub-degree higher education courses.