



## VET Student Loans

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Submission to the Senate Standing Committee on Education and Employment

Inquiry into the VET Student Loans Bill 2016, the VET Student Loans (Consequential Amendments and Transitional Provisions) Bill 2016 and the VET Student Loans (Charges) Bill 2016 – October 2016

### Introduction

The Australian Chamber supports the Federal Government's efforts to overhaul the flawed VET FEE-HELP scheme and believes the introduction of VET Student Loans will better protect taxpayers' dollars and students by improving the assurance that only those providers who have a proven track-record of high employment outcomes will gain access to the system.

The Australian Chamber particularly welcomes the focus of the new program, VET Student Loans, on job specific outcomes and making industry's needs central to a commitment to training support through student loans. As industry sets the skills standards in the vocational education and training system, and is ultimately the end recipient of training outcomes, it is important to ensure their voice is heard at every level of discussion and policy development in this area.

Courses that align to the needs of industry, and will help to close gaps in the job market, will better serve students who are looking to get a job upon graduating, and better serve the taxpayer as loans will have a higher probability of being repaid.

This submission is in specific response to the request for feedback on legislation currently before the Senate Standing Committee on Education and Employment.

The Chamber has submitted separate feedback to the Department of Education and Training on the list of courses that would attract VET student loan support and the level of caps, suggesting three key areas the Government should make changes to achieve its

aspirations of close industry and labour market linkages including limitations to accredited courses<sup>1</sup>. This submission has been attached for the convenience of the Committee. The Chamber notes that the attachment is not a submission on the legislation, and it does not provide suggestions for amendments to the legislation. However, it does provide the Committee context to our comments.

## Need for VET Student Loans

The Australian Chamber supports a national scheme where students can access loans to cover fees for higher level VET qualifications. VET qualifications are primarily delivered based on skills standards identified by industry as required for a job. Student loans allow people, regardless of economic circumstances, to undertake training that will help prepare them for a job, or to assist in upgrading skills. There is a general acknowledgement amongst stakeholders of this need, but a recognition which has been reinforced by the recent experience, that program design and oversight are critical in order to maintain integrity.

## Course and Loan Cap Determination

One of the most important new tools to regulate access to student loans is the Courses and Loan Cap determination. Most of the feedback from industry about the new legislation focuses on the impact of this new approach. Given its importance, the Australian Chamber believes consideration is required of the wording in Clause 16, the courses and loans caps determination:

### **16 The courses and loan caps determination**

*(1) The Minister may by legislative instrument determine:*

*(a) courses of study for which VET student loans may be approved; and*

*(b) maximum loan amounts, or methods for working out maximum loan amounts, for those courses.*

*(2) The determination is the **courses and loan caps determination**.*

*(3) The determination may provide for the method set out in Part 5-6 of the Higher Education Support Act 2003 to be used to index amounts determined by, or worked out in accordance with, the determination.*

The Chamber acknowledges the intent of this clause is to provide the Minister with a legislative instrument (the courses and loans cap determination) to decide the courses of study which VET Student Loans may be approved and the maximum loan amounts for those courses or the methods to determine the loan amounts. The Chamber recognises

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<sup>1</sup> Accredited courses in this context are VET courses that have been submitted to ASQA for accreditation but are not based on Training Packages which have been developed by industry and endorsed by the Australian Industry and Skills Committee.

that the loan caps are there to ensure fiscal sustainability of VET Student Loans not seen in the current scheme.

The impact of the determination on skill needs will be significant, which means that the process of arriving at course and cap amounts needs to be the subject of wide industry consultation as well as evidence-based. The Australian Chamber questions whether the above wording, particularly 16.1.B (inclusive of “methods of working out maximum loan amounts”) goes far enough to ensure the Minister or department has the ability to provide a level of flexibility in the system for those courses which truly align to industry and are in accordance with labour market needs should they require a higher loan amount. As can be seen by our comments on the course and cap list (in the attached submission to the department) it is of critical importance that there is a proper process of industry consultation around the list and the caps as well as the opportunity for exemptions.

The Chamber acknowledges the Department of Education and Training and the Minister’s statements around exemptions, and their understanding that the Minister will have this recourse available.

Given this context, the Chamber questions whether the wording is sufficient to ensure that a proper process is put in place and to ensure clarity of the Minister’s or department’s ability to grant exemptions, and the parameters by which they are granted under.

**Recommendation 1: Provide clarity to ensure proper industry consultation on the list and processes of exemption are enabled by the legislation.**

There needs to be greater clarity around the Minister’s or department’s methods of industry consultation on the lists and caps and the ability to provide exemptions to the cap limits, and the parameters by which exemptions are granted under.

## Need for Transparency

The legislation for VET Student Loans should better promote transparency. There are many reasons for the failure of the VET FEE HELP scheme, but the faults in program design and oversight could have been identified earlier if the Minister and department were required to report on a regular basis concerning the utilisation of the scheme. It is of utmost importance that the replacement program has built in requirements for greater transparency including the regular reporting of real-time data to better monitor the progress of the new program.

**Recommendation 2: VET Student Loans Program requires transparency**

The legislation should require regular reporting, including of real-time data, and greater transparency.

## The need for change is immediate

The impact VET FEE-HELP had on the reputation of VET, the distress caused to students that have been poorly served by a few “dodgy” providers, and the budgetary impact of the VET FEE-HELP scheme are strong reasons why the Government needs to act immediately in securing the passage of the VET Student Loans legislation. Certainty is needed for providers, students and industry. While it is probable that measures implemented by the Government over the last 12 months to curb the worst of the behaviour in the VET FEE-HELP scheme are yet to have full impact but will have made a difference, a restructured system that shifts away from the damaged language of VET FEE HELP will lead to a stronger system. The scheme has suffered tremendous reputational damage, and there is a need to move swiftly with the new program to ensure certainty for 2017.

Although it has not been ideal that there has been limited time to consider the legislation and the course and loans cap determination, the Australian Chamber supports the passage of the legislation with amendments raised in this submission and others that will be agreed upon by the Committee to strengthen the legislation.

### **Recommendation 3: Bills need to pass with minimal delay to ensure certainty for 2017**

Parliament should commit to swift action to amend legislation as necessary and pass the Bills to ensure certainty for providers, industry, and students for 2017.

## Summary

The Australian Chamber encourages government to work with industry in all stages of the implementation of the VET Student Loans program. The Chamber commends the Committee’s engagement with industry on the current legislation, and encourages industry consultation and advice to be integrated at every policy level of this program as it progresses through the Parliament and is implemented in early 2017.

Crucial to the success of VET Student Loans, and its aspirations to fund high quality training with real job outcomes is the voice of industry. Ensuring there is a clear mechanism by which the Minister or the Minister’s department can provide exemptions to those courses delivery high quality training is of utmost importance.

The Australian Chamber applauds this new program and its enabling legislation but seeks further consideration and clarity around Clause 16’s wording, as well as greater transparency and mandatory reporting included in the legislation. The Australian Chamber encourages bipartisan support to ensure the successful passage of the bill and industry certainty for 2017 and beyond.

**ATTACHMENT A: Australian Chamber submission to the Department of Education and Training, October 2016.**



## About the Australian Chamber

The Australian Chamber of Commerce and Industry speaks on behalf of Australian Businesses at home and abroad.

We represent more than 300,000 businesses of all sizes, across all industries and all parts of the country, making us Australia's most representative business organisation.

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### Submission to the Department of Education and Training – October 2016

#### Introduction

The Australian Chamber supports the Federal Government's efforts to overhaul the flawed VET FEE-HELP scheme and believes the introduction of VET Student Loans will go further to protect taxpayers' dollars by improving the assurance that only those providers who have a proven track-record of high employment outcomes will gain access to the system.

The Australian Chamber particularly welcomes the focus of the new program, VET Student Loans, on job specific outcomes and making industry's needs central to subsidised training. As industry sets the skills standards in the vocational education and training system, and is ultimately the end recipient of training, it is important to ensure their voice is heard at every level of discussion and policy development in this area.

Courses that align to the needs of industry, and will help to close gaps in the job market, will better serve students who are looking to get a job upon graduating, and better serve the taxpayer as loans will have a higher probability of being repaid. If the VET system was operating as it was designed to, this should be the usual outcome of providers and their offerings. However, for the moment, extra conditions are required and this submission is in specific response to the request for feedback on the list of courses that would attract VET Student Loan support.

The Chamber is concerned with some aspects of the program, and suggests three key areas the Government should make changes to achieve its aspirations of close industry and labour market linkages.

#### Changes to the approved list of courses

The Australian Chamber is concerned with the number of accredited courses included on the approved and eligible course list. The Chamber strongly believes policy should discourage the

creation of accredited courses. The Chamber has been vocal about its opposition to accredited courses except in accordance with the strict conditions of meeting short term needs which training packages have not as yet recognised. The Australian Chamber remains concerned about the number of accredited courses entering and, even more importantly, remaining in the system.

Accredited courses are not industry endorsed, and their original purpose was to allow for the development of units of competency not available and not having sufficient demand to be in national training packages. Therefore, the inclusion of 55 accredited courses on the approved funding list stands in opposition to the goal of the VET Student Loans program, to link taxpayer funded courses back to industry and actual jobs outcomes. A review of some of these courses indicates that no provider currently has them on scope.

The Chamber encourages the Government to reduce the number of accredited courses on the approved funding list, with the aim to eliminate them from the list. Where accredited courses are currently in use, they should only be supported under a sunset clause arrangement in order to provide incentive for that training to migrate to a training package qualification. The Chamber believes 12 months should be sufficient time to achieve this.

### **Recommendation 1: Reduce the number of accredited courses eligible for VET Student Loan support**

Reduce the number of approved accredited courses, and install a sunset clause arrangement, allowing for the training conducted through accredited courses 12 months to migrate to a training package.

### **Outline the process of course selection**

Although only briefly signalled in the Fact Sheet, the Government needs to strongly commit to a process by which courses are determined to stay on the list, be moved off the list, or enter the list for the first time.

The Australian Chamber understands the need for timely action given training planning is already underway for 2017 which has truncated consultation times for this list. However, it is critical that the Government take the opportunity to provide clarity on the process of consultation on the list going forward.

It is crucial, should the Government wish to meet its objectives of a truly industry-led system, to enable industry a chance to be involved in the process of course selection. It is particularly important to explain and detail this process, and allow industry the chance to provide feedback. This will ensure the system incorporates the voice of industry, rather than those purporting to represent industry.

Industry has an integral role in Australia's vocational education and training system. Industry set the standards of those who they will inevitably hire. Government needs to send a clear and

consistent message that VET remains an industry-driven system across all levels of decision making.

## **Recommendation 2: Industry input into all decision making processes**

The Government strongly commits to, and announces as soon as possible, the process by which courses are determined to stay on the list, be moved off the list, or enter the list for the first time and allow time for industry to provide feedback on this process.

### **Course caps**

As a general proposition, caps are not an ideal tool. However, given the problems that have existed with VET FEE HELP, the Australian Chamber believes that course caps in varying amounts will assist in removing the incentive for providers to take advantage of access to Student loans. The 'mischief' being addressed by caps is where providers have significantly raised or introduced fee levels well above cost of delivery in order to maximise margin at the expense of the student and the Commonwealth.

In introducing caps, care is needed to ensure continued access by students undertaking courses that are of high quality and meet industry needs. In that regard, feedback from members and a scan of some key qualifications delivered by long standing providers indicates that the cap amounts of \$5,000, \$10,000, and \$15,000 will not cover the delivery amounts for some courses.

Members of the Australian Chamber have raised concerns that these caps do not provide sufficient flexibility for industry led and connected courses, particularly in areas where course delivery costs are high. There are real concerns that should the maximum amount remain for some qualifications, high quality providers will exit the market or look to deliver the programs within the higher education system. Assumptions that student's will make up the fee difference are debateable at the very least will reduce access to those that are least able to afford the fees.

By way of example, the current VET Student Loans approved courses list proposes Diplomas and Advanced Diplomas in management be at the \$5000 band which may be appropriate for generalist courses, but the foodservice and tourism sector courses have been categorised in management rather than foodservice. A brief review of longstanding (including public) providers of these highly used qualifications indicates a fee of around \$15 000 is more the norm. Hospitality and tourism are sectors highly likely to deliver jobs given the current vacancy rates, including skill vacancy rates, in these job markets and access to the diplomas and advanced diplomas in this area allows for career progression for Australians and the sector able to fill jobs locally, rather than outsourced skilled labour. The Chamber is concerned that a low flat cap in key industry areas such as these with high skills needs may see a reduction in the quality of training as good quality providers struggle to meet the Government's loan bar.

We note that the Fact Sheet indicates that exemptions under the caps would be possible, but using Aviation as an example would indicate that exemptions may be allowed only in narrow areas.

As a general proposition on the way forward, the Australian Chamber supports the recommendation made by Restaurant & Catering Australia that the cap should reflect the amount that is required to effectively deliver to the standard required to prepare students for the workplace job role. To implement this in practice, the Chamber would encourage the Government to look at industry feedback about the current categories and caps as well as specific and clear options for well-established providers with a strong history of quality course delivery and high job outcomes for graduates, to have the opportunity to present a case for extended course cap funding where they have a history of delivering that course at a higher rate than now applies. The Chamber believes it would be particularly appropriate for those providers who delivered courses that existed previous to the 2012 VET FEE-HELP expansion to have the ability to apply for this consideration.

An exemption process would allow for quality training in areas of high jobs prospects to continue, while not compromising the system or opening it up to the rorts seen previously under VET FEE-HELP.

### **Recommendation 3: Consider industry and provider feedback, and alter course caps based on historical service delivery costs.**

The Government should consider the feedback of industry and reputable providers, and implement changes of course caps where industry and providers have demonstrated high course delivery costs of quality courses with high job outcomes.

### **Recommendation 4: Outline a clear process to apply for exemptions to course caps.**

The Government should announce the process by which providers can apply for exemptions on course caps and invite stakeholder feedback on the process.

## **Labour Market Analysis group**

In order to achieve its aspiration of a system meeting industry demand, the Government must focus on improving its whole of government response to labour market analysis and forecasting. It is critically important that government works with industry to identify employment trends and gaps as well as streamlining their own internal systems.

The determination of which courses are eligible for concessional loans should be underpinned by a well-resourced, more effective labour market analysis and forecasting team dedicated somewhere in the bureaucracy working with industry input and strong consultation. It is

potentially a role that builds upon the labour market unit within the Department of Employment, but its final location will depend on a range of factors some of which may not be clear externally to the public sector.

The Australian Chamber reinforces our previous advice to the Government through related submissions that the federal government needs to significantly improve its overall approach to labour market analysis.

Currently labour market analysis expertise and resources are spread across 6 departments, and the states also have specialist labour market planning teams. This creates a confused system, with policy underpinned by differing sources.

Courses determined to be eligible under the VET Student Loans program is yet another of many examples of decisions made by government that should be based on sound evidence of labour market needs and well informed forecasts. Determining the level of skill needs is complex, particularly when considering the cross-section of government departments and policy makers operating in this space, and the various ways in which we source our skills. Therefore, decisions will be significantly enhanced with the backing of sound and consistent labour market analysis and evidence-based reporting flowing from a single entity.

#### **Recommendation 5: Establishment of a dedicated labour market analysis group**

The Government establishes a well-resourced, more effective labour market analysis and forecasting team somewhere in the bureaucracy to underpin courses that should be eligible for concessional loans.

## Summary

Industry has an integral role in Australia's VET system, and the Australian Chamber urges the Government to send a clear message that VET remains industry-led by closely considering this submission and implementing the recommendations to ensure quality providers with high outcomes remain in the system.

In relation to the draft list of courses and caps, the Australian Chamber's is specifically concerned the current course list and loan caps does not appropriately recognise the delivery cost of quality job-facing training and also has accepted too many accredited courses. The impact of the caps on some courses will see high quality providers servicing some industries exit the market or look to deliver programs within the higher education system.

The Australian Chamber encourages government to work with industry in all stages of the implementation of the VET Student Loans program. Fully integrating industry and industry advice into the program will ensure the aspirations of the program are not forgotten and able to be met. This will also ensure ongoing industry advice as the nature of training changes, and the labour market fluctuates and brings in jobs with new skills requirements. Crucial to the success

of any training or program to address a skills need is an informed market, and integral to this is a dedicated labour market analysis team to inform all government agencies and programs.



## **About the Australian Chamber**

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