

20 November 2015

Committee Secretary  
The Senate Education and Employment Legislation Committee  
PO Box 6100  
Parliament House  
Canberra ACT 2600

Dear Secretary

### **Higher Education Support Bill (VET FEE-HELP Reform Bill) 2015**

Swinburne University of Technology welcomes the opportunity to make a submission to the Senate inquiry on the Higher Education Support Bill (VET FEE-HELP Reform Bill) 2015 (the Bill).

The Bill is timely in mitigating potential damage to Australia's student loan system and thereby supporting the quality of vocational education and training (VET) in Australia.

#### ***The proposed reforms***

Evidence suggests that integrity issues in the VET-FEE HELP system have not, to date, been adequately addressed. There have been a growing number of well-documented cases in which unscrupulous registered training organisations have misled vulnerable students into enrolling in low value training with the offer of Commonwealth VET-FEE HELP finance. The Bill is a positive move towards addressing VET regulation and related issues.

Swinburne supports legislative measures that strengthen protection for students eligible for FEE-HELP in the VET sector. In particular, we support the provision of additional regulatory powers to industry regulator ASQA and the creation of a functional infringement and civil penalty scheme that will support enhanced compliance activity.

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Swinburne also supports the introduction of new requirements for VET FEE-HELP approved training providers to develop and apply appropriate student entry procedure requirements. Students ought to be properly assessed for academic suitability before being admitted to enrol in a VET course of study for which they are entitled to receive a VET FEE-HELP loan.

Ensuring vulnerable students are afforded adequate protection and recourse to questionable provider behaviour is vital to the credibility of the Australian VET system. Swinburne welcomes provisions in the bill to broaden the circumstances in which a student can seek a re-credit of their VET FEE-HELP loan debt balance and remission of a debt where it is proven that as a result of unacceptable behaviour by the provider.

Overall, the intent and direction of the bill is sound and we are heartened by the action taken to tighten the regime around regulating high risk VET providers.

### ***The long-term sustainability of the Australia's student loan system***

While fully supportive of the measures outlined in the bill, there are a number of other issues which may require ongoing consideration in order to ensure that Australia's student loans scheme remains sustainable.

VET FEE-HELP has experienced rapid growth, with the value of loans increasing from \$699 million in 2013 to in excess of \$1.5 billion in 2014.<sup>1</sup> This rapid growth has called into question the financial sustainability of the system. As the Grattan Institute has noted, the rapid increase in VET FEE-HELP liabilities will create additional financial imposts on taxpayers

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<sup>1</sup>"The Skills for the Job: Ensuring vocational education and training delivers for employees and employers"  
Simon Birmingham. Speech to Australian Chamber of Commerce and Industry, Sydney 5 February 2015, -  
<http://www.senatorbirmingham.com.au/Media-Centre/Speeches/ID/2606/The-Skills-for-the-Job-Ensuring-Vocational-Education-and-Training-Delivers-for-Employees-and-Employers>

in the form of increasing levels of doubtful debt, interest subsidies and debt not expected to be repaid.<sup>2</sup>

These issues have emerged over time and can be traced to the series of changes to Australia's income-contingent student loan arrangements. Over time, Australia's HECS system has been extended by successive governments to serve numerous purposes not envisaged at the time of its creation in 1989. While each incremental change has appeared justified, collectively these changes have created a HELP system which lacks coherence.

HECS was initially implemented in 1989 as a means to ensure students could obtain finance to fund a contribution to their undergraduate higher education. The minimum repayment threshold for repayments of HECS-HELP in 2015 is \$53,345.

In 2005, FEE-HELP was made available to students seeking to fund their postgraduate studies. The current minimum repayment threshold for FEE-HELP is also \$53,345 – justifiable given the higher earning potential for people who have completed postgraduate studies.

However, while the earning potential of many people with vocational qualifications for which VET FEE-HELP is available is significantly lower, the minimum repayment threshold for VET FEE-HELP is also \$53,345. According to the Australian Bureau of Statistics, in 2012 almost half of VET qualified workers failed to earn enough to reach the minimum repayment threshold.<sup>3</sup>

While it may be administratively easier for the Commonwealth to set a single minimum repayment threshold for all forms of HELP debt, the decision to do so carries with it adverse

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<sup>2</sup> "Doubtful Debt, The Rising cost of student loans", Andrew Norton, Grattan Institute, April 2014 - <http://grattan.edu.au/wp-content/uploads/2014/04/809-doubtful-debt1.pdf>

<sup>3</sup> "Doubtful Debt, The Rising cost of student loans", Andrew Norton, Grattan Institute, April 2014, Figure 10 - <http://grattan.edu.au/wp-content/uploads/2014/04/809-doubtful-debt1.pdf>

consequences which have exacerbated sharp marketing practices in the VET sector. It has regrettably allowed some marketers to peddle false hope to students considering VET qualifications. For those who are earning considerably less than \$53,345, including many disadvantaged welfare recipients who have been targeted by inappropriate marketing practices,<sup>4</sup> the minimum repayment threshold of \$53,345 may seem unattainable.

To take one example, according to the Australian Bureau of Statistics, the average earnings for a fitness instructor was \$19,812 per annum.<sup>5</sup> On face value, this makes the likelihood of reaching repayment thresholds for this popular VET FEE-HELP funded qualification highly unlikely at least in the short term.

We suggest that it would be timely to conduct a more fundamental review of the settings for Australia's income-contingent loan scheme. As part of such a review, consideration should be given to whether minimum repayment thresholds for loans incurred to support vocational, undergraduate and postgraduate study each remain appropriate and support the Commonwealth's broader objectives for tertiary education policy.

### ***The balance of public and private funding in Australian tertiary education***

Swinburne also supports a more detailed examination of the way in which tertiary education is funded by Commonwealth and State governments.

While well-meaning, the recent trend towards making VET FEE-HELP available for Diploma-level VET qualifications (and some Certificate IV qualifications in Victoria, New South Wales, South Australia or Western Australia) has introduced greater incoherence into the way in

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<sup>4</sup> "Push to stop door-to-door diploma marketers targeting the vulnerable", Michael Koziol, *Sydney Morning Herald*, 17 July 2015. <http://www.smh.com.au/national/push-to-stop-doortodoor-diploma-marketers-targeting-the-vulnerable-20150716-gidsxo.html>

<sup>5</sup> Australian Bureau of Statistics, Employee Earnings and Hours, 2014, released 22 January, 2015 - ALL EMPLOYEES, Average weekly total cash earnings, Average age-Sex, Occupation

<http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6306.0May%202014?OpenDocument>

which Australia funds tertiary studies. Figure 1 below provides a broad overview of how public and private contributions underpin the delivery of Australian tertiary qualifications.

Figure 1: An Overview of Tertiary Public and Private Contributions

AQF Level	Qualification Type	Funding	Notes
1-4	VET Certificate	<ul style="list-style-type: none"> <li>Generally a combination of <b>public</b> and <b>private</b> contributions</li> </ul>	<ul style="list-style-type: none"> <li>State government subsidisation in some cases – noting that many State Governments are reducing funding rates for lower level VET qualifications due to funding pressures.</li> <li>No access to VET-FEE HELP unless studying a nominated cert IV qualification in Victoria, New South Wales, South Australia or Western Australia.</li> </ul>
5-6	VET Diploma and Advanced Diplomas	<ul style="list-style-type: none"> <li>Funding now rapidly shifting towards <b>private</b> contributions</li> </ul>	<ul style="list-style-type: none"> <li>State government funding continuing in some cases, however increasing access to VET-FEE HELP for these courses is seeing a gradual withdrawal of funding from State Governments and cost-shifting to the Commonwealth.</li> </ul>
7	Undergraduate (CSP)	<ul style="list-style-type: none"> <li>A balance of <b>public</b> and <b>private</b> contributions</li> </ul>	<ul style="list-style-type: none"> <li>Commonwealth government provides support through Commonwealth-supported places</li> <li>Students have access to HECS-HELP to support private contribution</li> </ul>
9	Postgraduate (CSP)	<ul style="list-style-type: none"> <li>A balance of <b>public</b> and <b>private</b> contributions</li> </ul>	<ul style="list-style-type: none"> <li>Commonwealth government provides grant support through Commonwealth-supported places (capped at each university)</li> <li>Students have access to HECS-HELP to support private contribution</li> </ul>
9	Postgraduate (Full Fee)	<ul style="list-style-type: none"> <li><b>Private</b> contributions only</li> </ul>	<ul style="list-style-type: none"> <li>No Federal Government grant contribution</li> <li>Students have access to FEE-HELP to support private contribution</li> </ul>

As this table shows, states fund lower level VET provision while the Commonwealth administers and finances VET-FEE HELP for higher-level VET qualifications. The ready availability of VET FEE-HELP across the vocational sector is driving cost-shifting from the States to the Commonwealth. These costs are then passed to taxpayers through higher levels of doubtful debt, interest subsidies and debt not expected to be repaid which are implicit in current VET FEE-HELP settings and which the current Bill seeks to address.

Discussion between States and the Commonwealth at the Council of Australian Governments (COAG) suggests appetite for the Commonwealth to take greater responsibility for VET. In light of the cost-shifting that is currently being driven by current funding settings, we consider that this warrants further investigation.

Thank you for taking the time to consider Swinburne's submission.

Yours sincerely

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**Vice-Chancellor & President**