

**Senate Education and Employment References Committee**

**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**

**Response to Inquiry, submitted by Churchill Education Pty Ltd**

**19 October 2016**

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Churchill Education is presently an approved VET Provider under Clause 6 of Schedule 1A to the *Higher Education Support Act 2003 (HESA)*.

We received approval in September 2013 for our students completing Diploma courses to utilise VET FEE HELP student loans.

Churchill Education has operated for ten years in the Education and Training Sector. We are a Registered Training Organisation, Provider Number 31430.

We have read the proposed Bill, and offer the following matters for your consideration.

**Criteria for Approval as a VET Student Loan Provider Cl. 25 VET Student Loans Bill 2016**

Churchill Education is a corporation acting as a trustee. In that structure, we were approved as a VET FEE HELP provider.

In addition, our structure is also approved as a Registered Training Provider and we have approval under Queensland State Government and Industry funding initiatives.

Our contribution, acting as a body corporate as a trustee, to the sector has been strong and our results overwhelmingly positive, as our audits by various government departments have supported. In 2016, we have received 7 national awards that reflect our high standards of governance and community contribution, including the National HR Champion CEO of the year.

The draft bill for the new VET Student Loan Provider in Clause 25 (2)(a) provides that for the new course provider requirements, the body must be a body corporate that is not a trustee.

Effectively, under the proposed new changes, we would be precluded from applying for approval as a VET Student Loan course provider.

This change does not:

- (a) acknowledge our standing as a Registered Training Organisation with VET FEE HELP approval
- (b) acknowledge the personal guarantee that was provided as a condition of the VET FEE HELP approval
- (c) allow for a transition period for those VET Providers who are presently operating successfully as a trust
- (d) offer any further protection at law to the Commonwealth.

Further, changing legal structures would be a complex matter for the following reasons:

- (a) if we change our structure now, we will also not be the same provider that was approved under subclause 6(1), decision under paragraph 11 (1)(a) which means we would no longer be approved to deliver to our remaining VET FEE HELP students who are currently studying.

- (b) In addition, we are approved under Queensland Government funding and Industry funding in our current legal entity. Changes to our current structure would compromise those approvals and the students being delivered to under those programs.
- (c) Further, our Registration status, approved by ASQA, is attached to the trust. This would mean that we would be required to engage in a full and initial registration process, removing our history in the industry.
- (d) Our financial records would be compromised so that, despite a significant time in the industry, we would be viewed as not having three years' financial records required to apply for the VET Student Loans' approval.

It is clear that we cannot change structure swiftly without an immediate and significant impact on our business that educates so many students and supports many Australian families.

Presently, we have 64 staff employed by our Registered Training Organisation. We also have over 1200 VET FEE HELP students.

Under the *Higher Education Support Act 2003*, there is not an exclusion of body corporates as trustees from being given Higher Education provider approval.

At no stage was this matter canvassed in any consultation activities.

These changes will have a significant and detrimental impact on our ability to continue to deliver quality services to the Australian Education sector. If this provision was maintained, we anticipate that we would need to make a large number of redundancies before the end of the year, as students complete courses but we are not approved to take on further students.

We support positive changes to the industry and the revamping of a national student loan scheme. However, permitting body corporates as trustees is a measure that will have no negative impact on the scheme or the services offered to students, and standards maintained by our Registered Training Organisation.

We urge you to amend Clause 25 (2) (a) and remove the requirement that the corporation must not be acting as a trustee.

In the alternative, we would seek a legislative amendment that:

- (a) allows the thirteen VET providers who have been approved VET FEE HELP providers and are also a body corporate acting as a trustee a two year grace period, ending 31 December 2018 to transition to a new corporate structure;
- (b) gives legislative exemption to just this group of providers for the purpose of application alone, acknowledging that the financial records for the entity would be understood to transition to the new structure;
- (c) provide that these providers would not be required to have a full initial registration audit but would be deemed to be the same Registered Training Organisation.

This time period would allow for:

- (a) Completing the existing VET FEE HELP students
- (b) Working with State governments and Industry to identify that we are still the same company effectively
- (c) Work with ASQA to transition registration

### **Acknowledgement of Course Durations**

Further, in its current form, the Bill provides that VET FEE HELP loan students who have not finished their courses by 31 December 2017, would have to either transfer to another provider, and that the VET FEE HELP program would be ended, so that VET Student Loan would have to be used.

This fails to consider the following matters relevant to these students:

- (a) course durations of longer than 18 months;
- (b) courses that require a significant period of practical placement in which instances many students are balancing paid work and volunteer work at the same time and may require longer periods to complete their course;
- (c) students who have taken a leave of absence from a current course due to personal matters, such as maternity leave, personal or family illness, and are scheduled to return in 2017;
- (d) the upheaval of having to enrol with a different Registered Training Organisation, build relationships with teaching staff and a new student cohort;
- (e) the unnecessary paperwork and bureaucracy.

We submit that instead, students who are VET FEE HELP loan approved for 2016, continue in the same program until the completion of their course or, in the alternative, until 31 December 2018.

### **Approved Courses**

The mechanism of selecting courses approved for VET Student Loans is flawed for the following reasons:

- (a) State funded lists are designed to meet the needs of current employment gaps in each location;
- (b) State and Territory Ministers have been on record previously, stating that States redirected funding, in particular Diploma programs, on the basis of the availability of VET FEE HELP loans.
- (c) In addition, at the time the lists were compiled, there was the option of self-funding a wider variety of courses through the VET FEE HELP program.
- (d) The input of the States and Territories was not sought in constructing the approved list.

Further consultation must be engaged in to construct a list of approved courses that provides for future employment trends, and not just limits Australians to immediate job market needs.

### **Course Loan Caps**

The capping of course loans at the proposed levels does not allow for some basic measures to be considered:

- (a) Delivery mode – for example, small face to face group teaching models where completion rates are higher and accompanying costs of delivery are also increased;
- (b) Location – for example, regional areas, in line with State government measures;
- (c) Student needs – for example, students with special needs are already disadvantaged by the LLN mandatory testing that discriminates against prospective students with learning needs such as dyslexia. The style of delivery that would be most likely under many of the cost capping measures would restrict to online learning platforms or very large groups. In both instances, the need of the individual learner is not accommodated well.

The course costs should be tiered and be designed to promote higher quality outcomes.

### **Course Loading Fees**

In addition, there is a course loading fee of twenty percent that does not apply to Higher Education course loans.

Whilst it seems commonly accepted that many university graduates will:

- (a) Borrow more money from the Commonwealth to complete their degrees;
- (b) early in their careers, attract higher wages to repay the loan
- (c) over their working life earn more income

the loan fee only applies to Vocational students.

This is an unfair burden on students who will be obtaining VET Student Loans. It had initially been decreed that this loan fee would be removed from 1 January 2016 and greater equity brought to Australian students but this change was dumped. We would urge you to remove the twenty percent fee on VET Student Loans.

### **Third Party Trainers**

The Bill currently provides that third party trainers cannot deliver training to a VET Student Loan without either being an approved VET Student Loan provider or seeking the consent of the Minister.

The practice of using third party contractors is widely exercised in the Vocational Education sector by both TAFEs and the private sector. In part, the use of contract trainers allows for trainers to also have other jobs in the industry, which ensures they maintain industry currency, in both skills and knowledge, and promotes higher educational outcomes. Churchill Education uses four contract trainers, whose work was audited by ASQA this year, with no compliance issues identified.

It would seem that the true intent of the Bill may have been to prevent third party trainers from enrolling students with a VET Student Loan provider, where the provider has not been involved in the enrolment process. This would be akin to the measures in the Bill around third party marketing.

We suggest that the Bill be amended to prohibit any third party from enrolling students with a VET Student Loan provider, regardless of whether marketer or trainer, and allow the delivery to be completed by third party trainers. Registered Training Organisations, under our obligations to ASQA, are still accountable for the work of the third party trainers.

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Chief Executive Officer

Churchill Education

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