

24 October 2019

Student Services 1300 856 111

Dr Jane Thompson
Committee Secretary
Education and Employment Legislation Committee
Department of the Senate
PO Box 6100
Parliament House
CANBERRA ACT 2600
AUSTRALIA

Dear Secretary

Higher Education Support (HELP Tuition Protection Levy) Bill 2019 and Cognate Bills

I refer to the draft legislation and the invitation to make a submission.

We understand and fully endorse the government's need to provide for tuition assurance but the issue has long been unsatisfactory from the College's perspective and the new draft bills do nothing to redress our concerns. Indeed, the likelihood appears to be that our situation will worsen as a result of these draft bills, and the additional costs, which we have so far absorbed, will finally need to be passed on to students.

Student Equity

We do not understand the government's decision to distinguish students on the basis of how they pay their tuition fees. All students need protection and whether students pay via Fee-Help or are independently funded is surely irrelevant to the need to compensate them in the circumstances of a tuition assurance event.

It would be far simpler for all concerned (students, providers and government) if there was a solitary tuition assurance vehicle – government supported with providers making fair and proportionate contributions.

The Sectors

VET and Higher Education are two very different sectors, not least in the way they have performed in recent years. The Higher Education (HE) sector, to the best of my knowledge, has never had a tuition assurance event of the scale and nature of the many events to afflict the VET sector in the last five years.

Despite that clean record, the HE sector (and especially the independent private providers) have suffered reputation damage by association. One very serious consequence of which is that insurers will no longer consider Australian Higher Education as a viable risk. There was only one insurer (ITECA) willing to offer a TPS in the last two years and the premiums have soared

to almost quadruple their level under the TAFE Directors scheme. Our understanding is that part of the reason for these high premiums is the need for ITECA (ACPET) to recover from a major settlement with government over the numerous VET defaults. Effectively, our sector (and students) are subsidising the defalcations of the disgraced VET providers.

We understand also that ITECA is yet to commit to running a TPS in 2020.

Cost to the College

In 2017, 100% of our tuition assurance was covered by TAFE Directors at a premium of \$40k approx.¹

In 2018, we came under the new regime which was government guaranteed for the approx. 60% of students who used Fee-Help. There was only one TPS available (ITECA – an effective monopoly) to cover our non-Fee-Help students, and the premium was \$101k – for approx. 40% of students.

This year, we were asked to pay \$147k – an increase of nearly 50%. Only a monopoly can raise its premiums with such impunity, and while we have absorbed these costs thus far, at some point we will have no choice but to raise fees beyond our usual CPI increase. This is negative for students and also for the government in the case of bad debt.

We expect the bad debt incidence would be extremely low from College students (who are almost universally employed, if they want to be) but other providers will be facing the same imperatives, which will cost the government more in the future. Some providers may even be tempted to push students towards Fee-Help to reduce future premiums (for non-Fee-Help).

College Finances

The College is in a strong financial position.

Our balance sheet approaches \$100 million with high liquidity. The College has the financial capacity to run for several years covering all salaries and overheads without turning a dollar of revenue. There is no risk of the College ceasing to offer programs.

We are happy to make a fair and reasonable contribution to a TPS in the same way we currently do for CRICOS but such a contribution ought to be proportionate to the risk of College students experiencing tuition assurance events.

Conclusion

The government's current policy of separating Fee-Help from non-Fee-Help students for the purposes of tuition assurance is problematic for several reasons. It is arbitrary and inequitable; it facilitates monopolistic behaviour; it duplicates reporting; and it imposes distortionary costs on providers which will ultimately cost students and government.

¹ Even this amount we regarded as disproportionate to the risk of a tuition assurance event at the College.

I urge you to give serious consideration to extending the government's Fee-Help tuition assurance coverage (with a fair and proportionate contribution by providers) to all students which will mitigate all problems listed above.

Please feel very free to contact me regarding this or any other matter.

Yours faithfully

Neville Carter AM
CEO & Principal