



Member Driven Advocacy  
Independent Tertiary Education Council Australia

## ITECA Submission

# **Education and Other Legislation Amendment (Abolishing Indexation and Raising the Minimum Repayment Income for Education and Training Loans) Bill 2022**

Supporting student access to tertiary education.

February 2023

## Part I – Executive Summary

### Abolishing Indexation & Raising The Minimum Repayment Income For Education and Training Loans Inquiry

The Independent Tertiary Education Council Australia (ITECA) is the peak body representing independent providers in the skills training, higher education and international education sectors. ITECA writes as the Committee considers the *Education and Other Legislation Amendment (Abolishing Indexation and Raising the Minimum Repayment Income for Education and Training Loans) Bill 2022* and associated matters relevant to the Bill.

Government student loan frameworks play a critical role in supporting students while achieving government policy objectives. The ideal policy objectives should be based upon equity and fairness. Unfortunately, Australia's student framework doesn't always achieve this as not all borrowers are treated fairly.

“It's time to end the constructed delineation that sees the higher education and skills training systems students supported by different student funding that discriminates against a selected cohort of students.”

#### Overarching Priority —

#### A Student-Centric & Cohesive Tertiary Education Loan Program

There is a fundamental injustice to the structure of tertiary education loan programs, one that discriminates students for simply electing to study with their provider that's best able to help them achieve their life and career goals. It's a travesty that students accessing skills training Diplomas, and higher education qualifications are not treated equitably by governments when compared with their colleagues at public institutions. These discriminatory arrangements must cease.

Independent Registered Training Organisations (RTOs) are the mainstay of Australia's skills training system, supporting more than 87% of the approximately 4.3 million students in training in 2021. These RTOs also support the majority of students from under-represented and disadvantaged backgrounds, including 85.4% of students in skills training in remote, rural and regional and 75.7% of all Indigenous Australians in skills training. In addition, the independent sector also supports 70% of students with disabilities in skills training and 84.7% students from low income and disadvantaged backgrounds.

Australia's 144 independent higher education providers support around 10% of the 1.6 million students in higher education.

A well-designed student loan program can help motivate students to succeed academically by providing them with the resources they need to pursue their educational goals. Significantly, loan programs can help to reduce economic inequality by providing students from low-income backgrounds with the opportunity to access higher education and the benefits that come with it, such as higher earnings potential and greater job security. It's in this context that the loan programs need to be redesigned to end the discriminatory student loan tax.

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Canberra, February 2023

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[ITECA Reference: N4.8.6]

## Part II – Recommendations

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### Abolishing Indexation & Raising The Minimum Repayment Income For Education and Training Loans Inquiry

Independent providers support more than 87% of all students engaged in skills training across Australia and around 10% of the 1.6 million students in a higher education awards program. That's more than 3.9 million students who are supported by approximately 3,900 independent tertiary organisations.

The lived experience set out by many of these providers has been used to identify the key issues raised by ITECA members that are set out in this submission.

ITECA's members have consistently advocated for both greater equity of access to income contingent loans in tertiary education, as well as the removal of discriminatory aspects of the policy design to the existing framework of the loan program.

#### Recommendation – A broader consideration of loan scheme design

That the Bill be more fully considered in the context of possible detrimental effect on overall cost of the loan program that would consequently affect student access to tertiary education.

#### Recommendation – Removing the Discriminatory Student Loan Tax

That the Australian Government's tax on student loans (both FEE-HELP and VET Student Loans) be abolished without delay on the grounds of student equity.

#### Recommendation – Expand Access to Income Contingent Loans in Skills

That the Australian Government expand access to income-contingent loans to include Certificate IV programs to enable students to undertake learning and career skilling across a broader range of disciplines and qualifications.



## Section 1 – A Broader Consideration of Loan Scheme Design

### Abolishing Indexation & Raising The Minimum Repayment Income For Education and Training Loans Inquiry

Students and employers need an integrated tertiary education system, where the skills training and higher education sectors operate as one but retain their separate strengths and identities.

A more integrated tertiary education system can better support lifelong learning, with students able to access both higher education and skills training throughout their working lives. A key aspect to this is the design and operation of the loan program. Core issues for consideration in the context of the tertiary income contingent loans framework, are those covering system design and matters that intersect with indexation of loan amounts.

ITECA members appreciate and welcome the core thrust behind the Bill insofar as it seeks to provide relief from overly high potential costs to engaging to learning for students. The views of ITECA members are clear: such overly and unnecessary penalties should not be a feature of Australia's tertiary education system. The loan tax applied to FEE-HELP and VSL loans is an example of such a penalty on learning.

The indexation of loans taken out by borrowers, however, is not in the view of ITECA members in the same category. While it is more appropriate for actuaries and other experts in government borrowing and debt markets both domestic and international to advise the Committee in more detail, ITECA members suggests there might be more practical ways to ease the burden on students and the sector as well as expanding the scope of students who are eligible for support.

ITECA would be very concerned if, for example, changes were made to indexation arrangements that resulted in significantly higher costs to the Australian Government across the loan program and this resulted in a substantial reduction in the scope and size of loans available to students. That would clearly neither be in the interests of students or in Australia's interests in either the short or long term.

In terms of increasing the repayment income to the median income, ITECA notes that repayment of HELP loans is based on repayment income as defined in the *Higher Education Support Act 2003*. Moving to median annual income as proposed in the Bill (approximately \$65,000 according to the Australian Government) would likely have perverse outcomes on other aspects of the design of the overall loan program. For example, the current repayment rate for this level of income is 3.00% and by removing all debtors from the repayment system at rates of 1.00% – 2.50% repayment (i.e. all debtors with a HELP income up to \$65,000 – currently between 1.5 million and 1.6 million debtors), ITECA holds concern that this may adversely affect student access across higher education and skills training.

#### Recommendation/s

- That the Bill be more fully considered in the context of possible detrimental effect on overall cost of the loan program that would consequently affect student access to tertiary education.

“ ITECA members appreciate and welcome the core thrust behind the Bill insofar as it seeks to provide relief from overly high potential costs to engaging to learning for students.”



## Section 2 – Removing the Discriminatory Loan Tax

### Abolishing Indexation & Raising The Minimum Repayment Income For Education and Training Loans Inquiry

It is of significant detriment to Australia's tertiary education system that students accessing either a FEE-HELP Loan or a VET Student Loan are required to pay a student loan tax on top of the amount that they borrow. This tax is discriminatory, levied largely on the basis of the student's choice of provider and not the likelihood of repayment.

Government data referenced in the 2022 ITECA State of the Sector Report highlights the excellence of the independent higher education sector that is reflected in the experiences of students attending those independent institutions. However, the manner in which the Australian Government invests in higher education does not reflect the experience of students nor the outcomes they achieve.

Recent data from the Australian Government indicates that just over 48,000 students at independent higher education providers institutions took a FEE-HELP loan in 2021 for which they would have been subject to a 20% loan tax had it not been for a government pandemic-waiver that was advocated for by ITECA and colleagues. According to the Government's data, the total of the tax these students would have been liable for as at the end of 2021 was almost \$102 million.

#### Creating Additional Student Hardships

The student loan tax is disadvantageous to students and is not good government policy. The added administrative fee to student loans increases the overall cost of borrowing for students. The fee adds an extra financial burden on top of the already high cost of tuition, textbooks, and living expenses. Although it is an income contingent loan, the debt burden remains hanging over a student, sometimes for a decade or more.

The added debt burden that the student loan tax puts in place may discourage students, particularly those from low-income backgrounds, who have reservations about incurring such a debt burden with the Australian Government.

Under the VET Student Loans program, the arrangements are slightly different, but the loan tax still prevails for students who are not in a state-subsidised place. Australian Government data for the year to 31 December 2021 show there were 40,490 students who took out a VSL loan to assist their study. In this year, there were \$257.7 million in loans paid through the VSL scheme. It is noteworthy that following sustained advocacy from ITECA, during this period the Government agreed to a waiver on the loan tax.

While clear data on the number of students in respect of the loans that attract the loan tax is not readily available, Government data show that around 59% of the total amount paid in 2021 would have otherwise been subject to the loan tax. This would equate to around an additional \$30.5 million liable to be paid by those students.

As the Productivity Commission noted recently in the 5 Year Productivity Inquiry: From Learning to Growth, there is a considerable difference in the design and delivery of government investment across the higher education and skills training sectors. The two

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sectors have significantly different funding and investment profiles designed by governments for the purpose of delivering teaching outcomes, primarily through course subsidies and student loan arrangements. In the case of independent higher education, investment is almost exclusively through student loans, while at independent skills training providers, students study overwhelmingly through full fee arrangements due to low levels of government course subsidies and very low levels of student loan availability.

The VET Student Loans program supported around 3% of all government-funded students in skills training in 2021; this represents around 0.9% of all students in training in 2021. In fact, of the more than 3.7 million students at independent skills training providers in 2021, only 0.3% were in receipt of a VET Student Loan, despite independent providers delivering 70.9% of all qualifications at diploma and above in the same year.

In the higher education sector, around 48,000 students at independent higher education providers received a FEE-HELP loan in 2021. These students represent approximately 28% of FEE-HELP loans in that year.

This group of students is the only cohort in all higher education to pay an additional loan tax on their borrowings. These students do not benefit from government-subsidised places and so are likely to borrow more to fund their learning, and the current policy design views it as appropriate to tax them for that choice. The inequity of this is startling.

Broadly speaking, the FEE-HELP loan tax appears designed to recoup some of the costs the Australian Government bears in facilitating FEE-HELP loans for undergraduate places at independent providers. However, if it were designed to recover costs as suggested, a cost-recovery measure through a loan tax is the wrong mechanism by which to achieve such a goal. Further it would be inconsistent with the Australian Government's own policy architecture to restrict that recovery to a small cohort (less than 10% of all loan recipients) rather than the broader cohort of beneficiaries.

The discriminatory nature of the student loan tax is clear. Two students, in the same degree program at different providers are treated vastly differently due to the choices they make – one pays the 20% tax, and the other doesn't. There remains no sound policy basis for this discrimination.

In the case of VET Student Loans (VSL), all students with the exception of those undertaking a course where a subsidy is provided for the student by the state or territory, pay a 20% loan tax. This is also inequitable as it preferences some students and punishes others based on choices made by states / territories. The majority of students training in the public system and undertaking a VSL-program are also in a state / territory subsidised place, while relatively few at independent RTOs are also in a subsidised place and so these 'unsubsidised' students pay the 20% additional loan tax.

While Australia's approach to income-contingent loans is one that ITECA strongly supports overall, it is very difficult for an objective view of the tertiary education sector in Australia to conclude the current restrictive, uncoordinated, inequitable and punitive approach to tertiary student financing is one that can benefit students, employers or the economy in the long-term.

ITECA members have long maintained the need for a cohesive and coordinated approach to student financing of tertiary education, and that this is most appropriately facilitated



through a consistent and cohesive income contingent loan scheme across the tertiary system. A reconfigured tertiary loans framework would obviously be designed to specifically avoid some of the policy shortcomings and mistakes that were a feature of previous loan mechanisms.

#### Recommendation/s

- That the Australian Government's tax on student loans (both FEE-HELP and VET Student Loans) be abolished without delay on the grounds of student equity.



## Section 3 – Expanding Access To Income-Contingent Loans

Abolishing Indexation & Raising The Minimum Repayment Income  
For Education and Training Loans Inquiry

The current limitation on income-contingent loans in skills training has exacerbated the perception of a lower status in skills training. By expanding access to income-contingent loans within a robust policy framework, students and employers see the Government as supporting their choices to engage in skills training and trust their capacity and capability to succeed.

Australian Government data show that over the period 2017 – 2021 the median annual income of graduates with diploma and advanced diploma qualifications (28.6%) have grown more than other tertiary qualification levels, followed by those at the graduate certificate / graduate diploma level (20.1%). These are followed by Bachelor degree holders (17.2%) and then postgraduates (12.4%).

The Australian Government's own income-contingent loan program in the skills sector, VET Student Loans (VSL), is a program designed not with students, employers and delivering benefit to the economy in mind. First, the VSL program is restricted in its eligibility criteria to students studying a course with an approved provider (around 214 Registered Training Providers) as well as to qualifications at Diploma and above, and only those that lead to a job that is in a demonstrated skills shortage in at least two state or territory jurisdictions.

Government data show that qualifications at Diploma and above account for less than 17% of all enrolments, and the requirement for a skills shortage in two jurisdictions, is not tied to the jurisdiction where the student is studying.

Government data also show that despite independent RTOs supporting 70.9% of diploma and above enrolments, only 30.6% of students in VSL-approved course were at an independent RTO.

In order to better support students, employers and the economy, ITECA, as well as independent bodies such as the Productivity Commission, has proposed expanding the VSL scheme to Certificate IV level programs.

A more nuanced loan program would deliver far more comprehensive and significant benefits for Australia than the current severely limited version. While there are potential concerns regarding the various course subsidy mechanisms delivered by the states and territories, a significant expansion of income contingent loans under similarly robust policy settings to those in existence would be enormously beneficial to students and employers.

ITECA members have consistently argued for the development of a pan-tertiary income-contingent loan mechanism that will have the potential to revolutionise lifelong learning, increase reskilling opportunities across the tertiary system and not just limit these to a small proportion of learners as is currently the case. Further, such a framework would have the ability to expand into a more flexible approach by enabling students the ability to collect shorter qualifications (microcredentials) as they reskill and upskill while full qualifications remain the basis for learning, knowledge enhancement and engagement with the labour market.

“ A more nuanced loan program would deliver far more advanced and significant benefits for Australia than the current severely limited version. ”





### Recommendation/s

- That income-contingent loans in tertiary education expanded to enable students to undertake learning and career skilling across a broader range of discipline and qualification levels to Certificate IV.
- That in this work, the Australian Government engage concurrently with state and territory jurisdictions as well as with tertiary education sector stakeholders to ensure that course subsidies are not reduced or removed as income-contingent loans become available.



## Appendix A – Understanding Independent Skills Training

Abolishing Indexation & Raising The Minimum Repayment Income  
For Education and Training Loans Inquiry

As businesses and governments tackle skills shortages across the Australian economy, they can look with confidence at the contribution of the nation's independent skills training and higher education providers. Collectively, these providers support around 66% of the 5.9 million tertiary education students with extraordinary employer and student satisfaction levels.

The data from the National Centre for Vocational Education and Research (NCVER) demonstrates that it is independent Registered Training Organisations (RTOs) that are the mainstay of the nation's skills training sector. They are the primary providers of quality skills training and support 87.1% of all students in skills training.

Skills training is the pathway to work and here, independent RTOs do the heavy lifting supporting Indigenous Australians (75.7% of students), students with disabilities (70.0% of students) and students from low-income and disadvantaged backgrounds (84.7% of students). Similarly, independent RTOs offer a diverse range of students across remote, rural and regional areas to gain critical qualifications (85.4% of students).

The NCVER data shows that it is a sound use of taxpayer funds to back a student's decision to study with independent RTOs. Across the board, qualification completion rates are higher with independent RTOs than they are with public TAFE colleges. That's not to diminish the training delivered by TAFE colleges, and in terms of completions independent RTOs achieve better outcomes for Government funded students.

Australians can also look with confidence at the contribution of independent higher education providers too. These enjoyed an 18.2% increase in enrolments over the four years covered in the ITECA State of the Sector Report (2017 to 2020), compared to 6.1% for public providers.

Students with independent higher education providers also expressed high levels of satisfaction that lead on key measures including skills development, learner engagement, teaching quality, plus the quality of their entire education experience. Notably, independent higher education providers lead on the key metric of overall employer satisfaction.

The Independent Tertiary Education Council Australia (ITECA) is the peak body representing independent skills training and higher education providers. Active in each state and territory, ITECA's commitment is to empower our members with the information to make sound business decisions. We also enable our members to work collaboratively with Government to achieve lasting reforms that support students and the provision of quality tertiary education programs by independent providers.

A statistical analysis of independent tertiary education can be found in the *ITECA State Of The Sector Report* that can be downloaded from the internet at:

[www.iteca.edu.au/state-of-sector](http://www.iteca.edu.au/state-of-sector)

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## Section B – Independent Tertiary Education Snapshot

Abolishing Indexation & Raising The Minimum Repayment Income  
For Education and Training Loans Inquiry

Australia's independent skills training sector supports around 5.9 million students in tertiary education, including 87% of the 4.3 million students in skills training and around 10% of the 1.6 million students in a higher education awards program.

Skills Training Sector	Independent # (RTOs/Students)	% Total
RTOs (Private, Enterprise & Community)	3,758	91.5%
Apprentices & Trainees (at 30 June 2022)	223,970	53.9%
Certificate III, IV & Diploma (and above)	1,295,525	65.5%
All Students - Qualifications, skill sets, unaccredited	3,743,295	87.1%

Higher Education Sector	# Providers	% Total
Providers (Universities, University Collages & AIHE)	144	75.8%
Students	162,366	10%

## Section C – Common Tertiary Education Abbreviations

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Abolishing Indexation & Raising The Minimum Repayment Income  
For Education and Training Loans Inquiry

AQF	Australian Qualifications Framework
AVETMISS	Australian Vocational Education and Training Management Information Statistical Standard
ASQA	Australian Skills Quality Authority
ITECA	Independent Tertiary Education Council Australia
HEPPP	Higher Education Participation and Partnerships Program
ISSP	Indigenous Student Support Program
JSA	Jobs and Skills Australia
JSC	Jobs and Skills Councils
NCVER	National Centre for Vocational Education Research
PRISMS	Provider Registration and International Student Management System
RTO	Registered Training Organisation
TAFE	Technical and Further Education
TCSI	Tertiary Collection of Student Information
TEQSA	Tertiary Education Quality & Standards Agency
VET	Vocational Education & Training
VSL	VET Student Loans







The Independent Tertiary Education Council Australia (ITECA) is the peak body representing independent providers in the skills training, higher education, and vocational training sectors.

ITECA members are united, informed and influential.

Members come together, through ITECA, to create an environment in which providers can offer students and their employers the quality outcomes they are looking for.

If you're interested in working with others that share your commitment to quality in order to improve the reputation of the independent tertiary education sector, get involved in ITECA today.

[www.iteca.edu.au](http://www.iteca.edu.au)



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