

Chapter 3

Eligible courses and loan caps

Introduction

3.1 This chapter examines two of the key issues raised by inquiry participants in relation to the bills, known collectively as the courses and loan caps determination. The courses determination is an eligible course list which restricts the number of courses that attract student loans. The loan caps determination places a ceiling on the maximum amount that an approved course provider can charge for a course. The loans caps proposed for the start of the program are \$5000, \$10 000 and \$15 000 per course.

3.2 The chapter commences by exploring issues pertaining to the eligible course list.

Eligible course list

3.3 The eligible course list seeks to address some of the excesses of the VET FEE-HELP scheme by limiting the number of courses that will attract financial assistance from the government. Under the new scheme, course eligibility will be limited to courses that have a high national priority, meet industry needs, contribute to addressing skills shortages and align with strong employment outcomes.¹ Students will not be able to access VET Student Loans for courses not on the eligible course list.²

3.4 Courses are eligible if they are current (in other words, not superseded), and on at least two state and territory skills lists, or are Science, Technology, Engineering and Mathematics (STEM) related. STEM courses are defined as any course in the following fields:

- information technology;
- natural and physical sciences;
- engineering and related technologies; and
- agriculture, environment and related studies.³

3.5 The Minister for Education and Training will have the power to approve the course list by a legislative instrument known as the courses and loan caps

1 Department of Education and Training, *VET Student Loans – Eligible Courses*, p. 1, https://docs.education.gov.au/system/files/doc/other/161010_eligible_course_list_fact_sheet.pdf (accessed 23 October 2016).

2 Department of Education and Training, *VET Student Loans – Eligible Courses*, p. 2.

3 Department of Education and Training, *VET Student Loans – Eligible Courses*, p. 1.

determination. The determination permits the minister to change the list and ensure that it remains flexible to meet changing workplace skills needs.⁴

3.6 Dr James Hart, Group Manager of the Skills Programs at the Department of Education and Training, acknowledged that the methodology used to devise the eligible course list may not have captured all appropriate courses:

We relied on the requirement to be on two state subsidy lists, because one could be artefactual in terms of a particular jurisdiction's needs. We were looking to develop a national needs list. We saw the fact that they were on two lists as good starting point. We acknowledge that that may not capture all courses, and that is why we went through the consultation process.⁵

3.7 Dr Hart explained that courses not appearing on the proposed eligible course list were excluded because they did not appear on at least two state and territory skills lists, or were not STEM courses:

In terms of the 478 that are not on the proposed VET student loans course list that are currently eligible for VET FEE-HELP, they are not there because they are not on two states' lists. So there is no direct intervention to remove a course other than the fact that they were not on those two states' lists... the minister's office wanted the STEM courses added as well, because it was deemed to be of government need.⁶

3.8 Dr Subho Banerjee, Deputy Secretary of Skills and Training at the Department of Education and Training, indicated that the states, in preparing their lists, undertake 'extensive consultation and analysis':

Different states do it in different ways, but all of them go through very extensive processes to determine exactly what is on and what is off. They do a lot of modelling, they do a lot of industry analysis and they do a lot of industry consultation.⁷

3.9 The Department of Education and Training has recently undertaken consultations on the proposed eligible course list to be implemented from 1 January 2017, which consists of 347 courses.⁸ The list will be updated periodically to ensure workforce requirements are being met.⁹

4 The Hon. Karen Andrews MP, Assistant Minister for Vocational Education and Skills, Second reading speech, *House of Representatives Hansard*, 13 October 2016, p. 11.

5 Dr James Hart, Group Manager, Skills Programs Department of Education and Training, *Committee Hansard*, 25 October 2016, p. 60.

6 Dr James Hart, Group Manager, Skills Programs Department of Education and Training, *Committee Hansard*, 25 October 2016, p. 61.

7 Dr Subho Banerjee, Deputy Secretary, Department of Education and Training, *Committee Hansard*, 25 October 2016, p. 60.

8 The Hon. Karen Andrews MP, Assistant Minister for Vocational Education and Skills, Second reading speech, *House of Representatives Hansard*, 13 October 2016, p. 11; and Department of Education and Training, *VET Student Loans – Eligible Courses*, p. 1.

9 Department of Education and Training, *VET Student Loans – Eligible Courses*, p. 2.

3.10 Dr Hart explained that the Department has recently completed the two-week consultation period on the courses contained on the list, receiving approximately 1500 submissions, 200–250 of which recommended changes. The Department is currently analysing the feedback with a view to providing advice to the Minister by early November 2016.¹⁰

3.11 Dr Hart stated that it was the intent for the eligible course list to be a fluid document, amended twice a year to ensure relevancy and utility:

[T]he legislation allows for a course list, but the view was that the actual list would be provided for through a disallowable instrument, and the reason for that is so that it could evolve. It would be a living list and there would be opportunities for that list to be amended from time to time...I think we were of the view that, if we had a process to amend that twice a year so that new courses were available for the start of the calendar and the financial year, that would be our preferred approach to address those changes as they came through.¹¹

3.12 A core issue for inquiry participants was what courses were included and excluded from the eligible course list. The Australian Chamber of Commerce and Industry (ACCI) supported moves to reduce the number of courses available to be studied:

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.¹²

3.13 The Hon Michael Lavarch, Commissioner for Risk, Intelligence and Regulatory Support at the Australian Skills Quality Authority (ASQA), also supported the premise of limiting the number of courses attracting loans:

In terms of the quality issue, the idea that the program should be limited to particular courses which are considered by government to be appropriate courses for public support is completely consistent with the way in which schemes of this broad nature—obviously not a loan scheme per se but programs to support access to education programs like VET provider programs—operate throughout Australia at the state and territory level. There is nothing exceptional about that. In fact, to the extent that it has been

10 Dr James Hart, Group Manager, Skills Programs Department of Education and Training, *Committee Hansard*, 25 October 2016, p. 107; p. 61.

11 Dr James Hart, Group Manager, Skills Programs Department of Education and Training, *Committee Hansard*, 25 October 2016, p. 61.

12 Australian Chamber of Commerce and Industry, *Submission 25*, Attachment A, p. 2.

able to be a target of public funds going to programs which are considered to be in the public interest, it would appear to be consistent and sensible.¹³

3.14 However, the majority of inquiry participants expressed some concerns about the composition of the eligible course list. The joint submission from the Ai Group and Business Council of Australia (BCA) gave qualified support for the reduction in courses eligible to receive VET funding given the proliferation of enrolments 'in fields of education that do not have significant new job creation'.¹⁴ The submission argued that the proposed list was 'narrow in its conception of VET':

Vocational training is not limited to the trades and areas of skills shortage. It services every industry in the country, and every industry in the country needs a pipeline of skilled workers.

There is a public policy argument to exclude courses that do not have a potential employment outcome. However, given that VET is deeply vocational and industry-led, the list of Training Package qualifications and accredited courses without a potential employment outcome should be quite limited.

The loan scheme should support students to undertake VET studies in growth industries such as health, as well as industries that have fewer employees than 20 years ago such as agriculture and manufacturing, and small industries such as creative arts.¹⁵

3.15 To address their concerns, the Ai Group and BCA recommended that the VET Student Loans Bill be amended such that:

- the eligible course list operate on an exclusionary basis, rather than an inclusionary one, noting loans are only available for Diploma level and above qualifications;
- industry has an opportunity to appeal any course excluded from the loan scheme;
- where a state is offering a subsidy, the student will be eligible for a loan, subject to other eligibility requirements; and
- if enrolments become excessive in low-employing industries, the government can cap enrolments in those courses.¹⁶

3.16 However, if the government did not move to an exclusionary rather than inclusionary list, the Ai Group and BCA considered that the government should at a minimum have courses on the eligible list that are offered in a single state.¹⁷

13 Mr Michael Lavarch, Commissioner, Risk, Intelligence and Regulatory Support, Australian Skills Quality Authority, *Committee Hansard*, 25 October 2016, p. 53.

14 Ai Group and Business Council of Australia, *Submission 43*, p. 9.

15 Ai Group and Business Council of Australia, *Submission 43*, p. 9.

16 Ai Group and Business Council of Australia, *Submission 43*, p. 11.

17 Ai Group and Business Council of Australia, *Submission 43*, p. 11.

3.17 The Australian College for Private Education and Training (ACPET) noted that under the proposed list nearly 480 of the 800 courses previously supported through VET FEE-HELP would be no longer available to students. ACPET considered that:

This wholesale removal of courses leaves few, if any, options for many students to gain support to obtain qualifications and pursue careers in fields of education that are likely to provide the 'future of work' as Australia's services sector economy develops. This hardly seems a forward looking approach for a country that aspires to build its innovative and creative capabilities to support a new economy. The response that individuals will need to pay is a considerable blow to the principle of an equitable access to education for all Australians.¹⁸

3.18 Many submitters, mainly those within the private VET providers sector were concerned about a number of current courses that are anticipated to be excluded from the eligible course list, including:

- a number of counselling and psychotherapy courses;¹⁹
- a number of ministry and theology courses;²⁰
- a number of performing and creative arts courses;²¹
- Graduate Certificate in Intense Pulsed Light and Laser Hair Reduction;²²
- Diploma of Audiometry;²³
- Diploma of Anaesthetic Technology;²⁴ and
- Diploma of Professional Writing and Editing, Diploma of Justice/Advanced Diploma of Justice, Diploma of Product Design.²⁵

3.19 Navitas was critical of the criteria for assessing course to be included on the course list, identifying several potential issues:

Firstly, the state and territory skills lists used as the benchmark for course eligibility are designed for a different purpose – that is to identify areas of

18 Australian College for Private Education and Training, *Submission 23*, p. 4.

19 Australian Institute of Family Counselling, *Submission 34*, p. 4.

20 Harvest Bible College, *Submission 10*, p. 3, Wesleyan Methodist Church of Australia, *Submission 19*, p. 1; Kairos Christian College, *Submission 13*, p. 1.

21 NIDA, *Submission 24*, p. 4; Sydney Theatre School, *Submission 12*, p. 3; National Association for the Visual Arts, *Submission 21*, p. 1; and Photography Studies College (Melbourne), *Submission 38*, p. 1.

22 Australian Academy of Beauty and Spa Therapy, *Submission 49*, supplementary information, p. 1.

23 Hearing Care Industry Association, *Submission 47*, p. 3.

24 Mater Education, *Submission 29*, p. 1.

25 Swinburne University of Technology, *Submission 31*, p. 2.

current skills shortage in a particular jurisdiction. By definition then they do not seek to identify the jobs and skills that will drive the Australian economy into the future. Thus, the approach adopted by the states and territories is not well suited to identifying the emerging higher level skill needs and opportunities in the burgeoning human services sector or those of the creative industries, for example, where traditional industry links and employment pathways are less well defined.

Next, these lists often reflect narrower State and Territory government priorities and consultation protocols with industry, as well as their funding responsibilities for trade training and related sectors.

Further, these lists often deliberately exclude courses currently eligible for Commonwealth funding via VET FEE-HELP and reflect state and territory obligations and priorities under the National Partnership agreement to deliver a Certificate III entitlement.

Finally, as has been pointed out by Andrew Norton, an expert on income-contingent loans, the changes adversely affect female learners who to-date have been great beneficiaries of the VET FEE-HELP scheme.²⁶

3.20 The Australian Major Performing Arts Group (AMPAG) reflected the view of many performing and creative course providers in arguing that the removal of a number of arts courses from the list, combined with unrealistic loan caps, was of serious concern: 'The chosen criteria for determining which courses are deemed valuable are based on a narrow approach that fails to recognise the needs and, we believe, the value of the performing arts sector'.²⁷

3.21 ArtsPeak, a confederation of Australia's peak arts organisations collaborating with other sector organisations and artists, identified the extent of the substantial reduction in the number of creative arts course eligible for loans:

We support the government's attempts to rein in rogue operators in the vocational education sector and would welcome changes that will lead to a more robust sector. However, students should not be punished for this by depriving them of the opportunity to pursue vocational training in the arts and cultural sectors. Out of 70 previously supported courses in the creative arts sector, only 13 will continue to be eligible for loans. The proposed cuts represent a significant reduction in student choice, and will adversely disadvantage many students.²⁸

3.22 AMPAG outlined the sources of its concerns with the list:

26 Navitas, *Submission 35*, p. 2.

27 Australian Major Performing Arts Group, *Submission 40*, p. 2. See also the submissions from NIDA, Sydney Theatre School, Sydney Film School, Canberra Academy of Dramatic Art, National Association for the Visual Arts, Academy of Interactive Entertainment; and Photography Studies College (Melbourne).

28 ArtsPeak, *Submission 45*, p. 1.

- it fails to consider the quality and reputation of the training provider and the contribution this training proves to support industry outcomes in the performing arts;
- it negatively impacts leading performance-based arts training in some of the leading arts training institutions;
- it excludes all performance-based performing arts training courses;
- it has been derived without research and consultation with the professional performing arts sector or the government agencies that support the sector; and
- it is based on criteria that prioritise and support for courses building on skills in STEM but fails to recognise the significant contribution of arts training to workforce skills in the 21st century economy (STEAM).²⁹

3.23 The Sydney Theatre School observed that as a consequence of exclusion from the eligible course list some providers may have to downsize or close, potentially resulting in 'the loss of a significant number of jobs; and the exclusion from VET training and employment of many students who are unsuited to any of the courses currently on the eligible course list'.³⁰

3.24 There were other concerns regarding the method for determining the eligible course list articulated by the National Tertiary Education Union (NTEU):

The proposed Bill does not specify what, if any, factors the Minister must consider in either determining the rules or determining their decision. While the Minister has said that in determining the current list of approved VET courses he has taken into consideration courses covered by the skills needs lists of at least two of the States and Territories, this is not a requirement specified in the legislation. While this is highly objective criteria, this is not so for all the factors the Minister says he wants to take into consideration when considering what courses should or should not be included. For example, the Minister says he does not think it is appropriate to support so-called 'lifestyle' courses. What this Minister considers to be a 'lifestyle' might differ significantly overtime and depending on the Minister of the day.³¹

3.25 Ms Jeannie Rea, the NTEU's National President, further expanded on the union's concerns that the subjectivity inherent within the framework could cause instability within the sector as courses are ruled in and out of the eligible list:

So we are concerned—and we state this in our submission—at the degree of subjectivity inherent within the framework and the application of the rules proposed. A lack of clarity means that courses that are or are not included may well change over time, leading to uncertainty for both providers and potential students. There is also no doubt that ministers will come under

29 Australian Major Performing Arts Group, *Submission 40*, p. 2.

30 Sydney Theatre School, *Submission 12*, p. 3.

31 National Tertiary Education Union, *Submission 2*, p. 6. See for similar concerns Australian College for Private Education and Training, *Submission 23*, p. 3.

considerable pressure from various providers or provider groups to have their courses included on the list. We are recommending that, rather than ruling individual courses in or out, the government enforce its much stricter rules in relation to eligible providers and levels of enrolment.³²

3.26 Inquiry participants identified alternative approaches to determining the eligible course list. For example, ACPET suggested that 'a strategic and evidence based approach to identifying skills priorities would be a considerably better model than relying on State and Territory level lists constructed for a different purpose'.³³

3.27 Similarly, the Sydney Theatre School proposed that a broader range of factors should be taken into consideration:

The VET Student Loans Bill 2016 should be amended to ensure that the selection criteria for inclusion on the Eligible Course List (ECL) allows for a much wider range of courses that will cater for the diverse training needs and career goals of every Australian citizen.

Courses to be included on the ECL should not be determined by their appearance on narrow 'skills shortage' lists; by the Education Minister; Department of Education employees; or any other government body or official.

The methodology used for the selection of approved courses needs to be evidence-based; properly informed by extensive consultations with all stakeholders (including industry; students and course providers); flexible; and fair.

It also needs to recognise and acknowledge the valuable contribution to society—and the economy—that is made by the creative and performing arts sector.³⁴

3.28 Ms Jenny Lambert, the Director of Employment Education and Training at ACCI, argued that a formal consultation process with industry should form part of the process for determining the eligibility list:

We only have a concern if there is no mechanism by which industries can raise legitimate concerns and have them dealt with... in our view, we need to encourage a vocational training system that is based on national training packages that the industries have endorsed through the system. A lot of those lists are done by states, and they put forward these accredited courses outside of the system. So, no, we do not believe the sole criterion should be that it is on two states' lists. We believe the criteria should be a formal and structured process of consultation with industry so that it brings forward the opportunity for people to say what courses they believe are job facing.³⁵

32 Ms Jeannie Rea, National President, National Tertiary Education Union, *Committee Hansard*, 25 October 2016, p. 37.

33 ACPET, *Submission 23*, p. 5.

34 Sydney Theatre School, *Submission 12*, p. 9.

35 Ms Jenny Lambert, Director, Employment Education and Training, Australian Chamber of Commerce and Industry, *Committee Hansard*, 25 October 2016, pp. 46–47.

3.29 Master Builders Australia also considered that industry must 'play an ongoing role in determining the high level qualifications on the list and that the list take into account the needs of an ever changing labour market'.³⁶

Committee view

3.30 The purpose of the eligible course list is to ensure that courses offered by the VET sector are courses that have a high national priority, meet industry needs, contribute to addressing skills shortages and align with strong employment outcomes.³⁷ There will also be an emphasis on STEM related courses. The eligible course list will also reduce the ability of a small number of unscrupulous providers to take advantage of students.

3.31 The committee acknowledges this change will mean that some courses—which do not meet industry, student or skill needs—will not be supported and that this will impact on some providers. Given the poor practices of some unscrupulous providers that occurred under VET FEE-HELP, the committee views the eligible course list as an important mechanism for protecting students and taxpayers. The committee also views continued Government support for a broad range of VET courses as crucial for Australia's competitiveness and prosperity.

3.32 The committee acknowledges the concerns of many stakeholders that the eligible course list will be too narrow in its composition, and exclude a number of courses that contribute positively to the economic and cultural prosperity of Australia.

3.33 The committee supports the introduction of an eligible course list. The committee also notes that the Department of Education and Training is currently consulting on the composition of the eligible course list for the introduction of the new VET scheme. The committee notes the department's evidence that the course list released for consultation is a 'good starting point'.

3.34 The committee is of the view that if there are courses required to address industry or skill needs which are not on the eligible list, and a strong case is made, then the list should be amended accordingly. To ensure strong employment outcomes, the government should seek advice from key stakeholders.

3.35 In finalising the eligible course list, the committee urges the department to give consideration to expanding the number of approved courses where sufficient justification is provided that courses are a high national priority, meet industry needs, contribute to addressing skills shortages, align with strong employment outcomes or provide specialist training. The committee further encourage the department to actively consult with stakeholder, including students, providers, industry groups and employee representative, when finalising and revising the eligible course list in the future.

36 Master Builders of Australia, *Submission 42*, p. 2.

37 Department of Education and Training, *VET Student Loans – Eligible Courses*, p. 1, https://docs.education.gov.au/system/files/doc/other/161010_eligible_course_list_fact_sheet.pdf (accessed 23 October 2016).

Loan cap limits

3.36 The second central area of concern with the bills was the establishment of loan cap limits for all courses on the eligible course list. The aim of the caps is to protect students from rapidly rising course costs and set a ceiling on the maximum loan amount the government is willing to loan to a student for a specific course.³⁸

3.37 The rapid rise in course costs was addressed by some inquiry participants. For example, Mr Lavarch of ASQA noted the escalation of course costs under VET FEE-HELP was widely acknowledged:

In terms of the funding caps...I think it is a matter of public record that one of the issues arising through the VET FEE-HELP program was a very substantial escalation in the charges for particular courses. That was quite stark between some of the public providers and the private providers.³⁹

3.38 Similarly, Ms Lambert questioned the ability of the government to accurately set loan caps, but acknowledged that the caps were necessary to prevent course providers from setting unaffordable fees:

[C]an the government, with industry information, nail the cap level that fits a quality program that delivers a great outcome? It would be hard to answer that generically. In other words, there will be situations where the caps will work and others where they will not. Caps are not ideal. We say that in our submission: it is not ideal. Obviously you would prefer the market to adjust, but at the moment we have seen too many examples where courses that were previously charged at X have become three times X, without any shift in quality, and that certainly is something that we are trying to address.⁴⁰

3.39 Three maximum loan caps are proposed for the start of the program: \$5000, \$10 000 and \$15 000 per course.

3.40 These levels are derived from actual VET FEE-HELP tuition fee data and the New South Wales Smart and Skilled program.⁴¹ Dr Hart explained that the Department of Education and Training used information on average course costs from the NSW Independent Pricing and Regulatory Tribunal (IPART) to calculate the loan caps to be used devising eligible course list:

In terms of the methodology that we went through with the course list, we looked at the IPART in New South Wales in terms of course costs. We did a mapping exercise against those course costs against what the VET FEE-HELP cost was in the period 2010 to 2013. We went back to that time

38 The Hon. Karen Andrews MP, Assistant Minister for Vocational Education and Skills, Second reading speech, *House of Representatives Hansard*, 13 October 2016, p. 12.

39 Mr Michael Lavarch, Commissioner, Risk, Intelligence and Regulatory Support, Australian Skills Quality Authority, *Committee Hansard*, 25 October 2016, p. 53.

40 Ms Jenny Lambert, Director, Employment Education and Training, Australian Chamber of Commerce and Industry, *Committee Hansard*, 25 October 2016, p. 46.

41 The Hon. Karen Andrews MP, Assistant Minister for Vocational Education and Skills, Second reading speech, *House of Representatives Hansard*, 13 October 2016, p. 11.

period because that preceded this rapid expansive growth that we just talked about. By field of education we averaged the course costs.⁴²

3.41 The bill provides for the caps to be indexed annually in line with the government's other student loan programs.⁴³

3.42 The three bands of loan caps will apply irrespective of whether the course is being delivered face-to-face, online, or via mixed delivery modes.⁴⁴

3.43 As noted previously, students will not be able to access VET Student Loans for courses not on the eligible course list. For these courses, students will need to pay for the course themselves.⁴⁵

3.44 The loan caps do not prevent approved providers from setting tuition fees above the cap. The caps simply set a ceiling on the maximum loan amount the government is willing to provide a student for a specific course.⁴⁶

3.45 If a student wishes to undertake an eligible course at an approved VET loan provider that charges above the allocated loan cap, the student will need to pay for the difference.⁴⁷

3.46 Pending the passage of the bills, the Minister for Education and Training will have the power to specify which courses fall under which band, to exclude courses from any band and to specify exemptions from loan caps for courses that result in a high social good but have high delivery costs. Minister Birmingham has indicated that some courses, such as those in aviation, will be exempt from the loan cap.⁴⁸

3.47 Some inquiry participants were concerned that there was often no correlation between the loan cap allocated to particular courses and the actual delivery costs for that course. For example, ACPET said:

The overwhelming evidence, for example, from high quality, reputable nursing training providers across the country indicates the loan cap for the Diploma of Nursing (at \$10,000) is at least \$10,000 below that required to meet the needs of this highly resource intensive program. Similar evidence across a broad range of courses including in the interactive media, aviation, hospitality, creative arts, and business and building fields indicates fundamental concerns with the price bands.⁴⁹

42 Dr James Hart, Group Manager, Skills Programs Department of Education and Training, *Committee Hansard*, 25 October 2016, p. 60.

43 The Hon. Karen Andrews MP, Assistant Minister for Vocational Education and Skills, Second reading speech, House of Representatives Hansard, 13 October 2016, p. 11.

44 Department of Education and Training, *VET Student Loans – Eligible Courses*, p. 2.

45 Department of Education and Training, *VET Student Loans – Eligible Courses*, p. 2.

46 Department of Education and Training, *VET Student Loans – Eligible Courses*, p. 2.

47 Department of Education and Training, *VET Student Loans – Eligible Courses*, p. 2.

48 Department of Education and Training, *VET Student Loans – Eligible Courses*, p. 2.

49 Australian College for Private Education and Training, *Submission 23*, p. 7.

3.48 The same concern was raised by the ACCI, which submitted that:

As a general proposition, caps are not an ideal tool... 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.⁵⁰

3.49 The disparity between capped course loans and the actual delivery costs for courses was highlighted by a number of submissions. For example:

- Sage Institute of Education identified gaps for its Diploma of Early Childhood Education and Care (gap of approximately \$9740) and a Diploma of Remedial Massage (gap of approximately \$10 240);⁵¹
- Sydney Film School identified a gap of approximately \$16 000 for Screen and Media Studies;⁵²
- Sydney Theatre School identified a gap of approximately \$6950 for its Advanced Diploma;⁵³ and
- Ella Bache identified a gap of approximately \$7327 for its Diploma of Beauty Therapy.⁵⁴

3.50 Restaurants and Catering Australia (R&CA) considered that unrealistic loan caps would have a negative impact on the skills of graduates, resulting in the needs of employers and industry not being met:

The current VET FEE-HELP proposed list relegates these [Chefs or Restaurant Managers] qualifications, in very high demand from an employment perspective, to the lowest funding band of \$5,000. This is insufficient to provide training that would facilitate the acquisition of appropriate skills to do these jobs... the cap is likely to distort the market and delivery of qualifications. R&CA would expect that cheaper qualifications costing under the cap would increase their fees to match the cap, while those over the cap will reduce resources allocated to the provision of this qualification. This will certainly reduce the quality of hospitality qualifications to a point where they do not meet the needs of industry.⁵⁵

3.51 In its submission to the inquiry, Navitas articulated four concerns about the loan cap:

50 Australian Chamber of Commerce and Industry, *Submission 25*, Attachment A, p. 3.

51 Sage Institute of Education, *Submission 50*, pp. 6–7.

52 Sydney Film School, *Submission 15*, p. 2.

53 Sydney Theatre School, *Submission 12*, p. 7.

54 Ella Bache, *Submission 7*, pp. 2–3.

55 Restaurants and Catering Australia, *Submission 37*, pp. 2–3.

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- imposing loan caps will reduce access to tertiary education for learners and therefore their ability to secure the skills they need to succeed in the workforce;
 - price bands for many courses bear little correlation to the cost of delivery;
 - setting arbitrary caps at \$5000 intervals does not support the provision of high quality, industry-relevant training that the Australian economy needs; and
 - having only three separate caps does not adequately reflect market diversity in the VET sector and may lead to further uncertainty for the sector.⁵⁶

3.52 The Victorian TAFE Association (VTA) was concerned that the disparity between the loans caps and actual course delivery could push students towards cheaper and poorer quality course providers:

VTA members are frustrated at the logic behind some of the band settings, which do not reflect the cost of quality program delivery. In Victoria's highly contestable VET marketplace, TAFEs have sought to remain the benchmark of quality despite hundreds of competitors undercutting on both price and quality. Where the gap between the loan and the fee threatens access to a high quality education experience, a student may choose a poor quality option instead. VTA considers this a likely—and dangerous—outcome for students and industry, under the proposed VSL settings.⁵⁷

3.53 The Academy of Interactive Entertainment argued that the loan caps would disadvantage students from low socioeconomic backgrounds who would be unlikely to be able to afford to pay for any fee gaps:

Funding caps need to be removed because they don't reflect the cost of providing quality education and discriminate against VET students who want to choose to undertake a quality education. Particularly those students who come from low socioeconomic backgrounds and are therefore unable to afford quality programs that exceed the capped amount... The need for a strong regulatory body is necessary to prevent shonky operators from simply registering courses with high caps on the published list, on their scope and delivering them in a substandard manner so they can continue to make a profit. Caps on courses are not a substitute for strong regulatory oversight. Removing caps will ensure students are able to access quality training, and not increase the necessary regulatory processes.⁵⁸

3.54 The National Institute of Dramatic Art (NIDA) similarly observed that restricting access to VET student loans would reduce opportunities for students from some socioeconomic backgrounds:

56 Navitas, *Submission 35*, pp. 2–3.

57 Victorian TAFE Association, *Submission 46*, p. 4.

58 Academy of Interactive Entertainment, *Submission 16*, pp. 2–3. Similar concerns were raised by Australian College for Private Education and Training, *Submission 23*, p. 7; Sydney Theatre School, *Submission 12*, p. 5; and Australian Major Performing Arts Group, *Submission 40*, pp. 4–5.

NIDA students in these courses [Diploma of Musical Theatre and the Diploma of Stage] need to have access to VET Student Loans to ensure that students from all social backgrounds have the opportunity to participate. If students in these two courses are not able to access VET Student Loans, selection will be limited to fewer, financially privileged candidates.

The entertainment industry will perpetuate a culture of privilege, missing out on the contributions of those that cannot afford to pay for their education and training up front.⁵⁹

3.55 AMPAG considered that the loans caps could 'mean that the student cohort be increasingly comprised of people who can afford to study the creative industries, as opposed to those who have the talent and aptitude to do so'.⁶⁰ AMPAG commented further on the likely implications of this deterrent to study:

The Education Minister's proposal to cap student loans at \$10,000 for those performing arts courses that continue to be eligible for student loan support bears no relationship to the cost of delivery. This gap between cost and level of support will deter students from diverse cultural and economic backgrounds from accessing training. This raises the issue of the long term impact on the cultural diversity within the performing arts through creating new barriers of entry.⁶¹

3.56 The VTA was concerned that the imposition of the lowest band cap of \$5000 might reinforce perceptions that VET was a lesser tertiary education option, and suggested that giving ASQA stronger powers was a better way to minimise rorting of the loans scheme:

The imposition of loan caps as low as \$5,000 for some courses sends a derogatory message about VET to prospective students and other stakeholders. This perverse outcome of VET Student Loans indicates that we're pulling the wrong lever to tackle the right problem: to win back consumer confidence the rorting of the loans scheme must cease and to make this happen ASQA needs stronger regulatory resourcing and powers, especially at the point of provider entry to the VET system.⁶²

3.57 The ACTU was of the view that loans caps may provide opportunities for 'unscrupulous' providers to reduce staff pay and conditions in order to maintain profits:

While caps on loans may prevent students being exposed to high prices and increased debts, there is always the possibility that this will provide an incentive for unscrupulous providers to dramatically reduce costs to allow for greater profits. This price pressure may also have negative implications for the VET workforce, as private providers attempting to increase profit

59 NIDA, *Submission 24*, p. 6.

60 Australian Major Performing Arts Group, *Submission 40*, p. 4.

61 Australian Major Performing Arts Group, *Submission 40*, pp. 4–5.

62 Victorian TAFE Association, *Submission 46*, pp. 3–4.

margins in a capped-loan environment may identify staff pay and conditions as areas where savings can be carved out.⁶³

3.58 A number of suggested changes to the proposed loan caps were made. For example, the Australian Catholic University strongly recommended raising the loan cap for the Diploma of Nursing to \$15,000 'to reflect the true cost of delivery and ensure no negative effect on student enrolments'.⁶⁴

3.59 R&CA felt that there needed 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'.⁶⁵

3.60 R&CA further suggested that the best way to limit the loan exposure of the government would be to institute a cap on the number of places in a course rather than the amount of the funding, and that the loan cap be subject to a higher cap than that proposed.⁶⁶

3.61 The William Angliss Institute proposed that a much broader range of loans caps be implemented, as follows:

- Tier 1 – Low end: \$0 to \$5000 or \$8000;
- Tier 2 – Public Provider/High quality: \$0 to \$50 000; and
- Tier 3 – Bespoke programs: on application.⁶⁷

3.62 The ACCI, reflecting on the method of determination for both the eligible course list and the loans caps, suggested that there should be greater clarity around the methods of industry consultation used by both the minister and department to make determinations:

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...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.⁶⁸

63 ACTU, *Submission 6*, p. 2.

64 Australian Catholic University, *Submission 9*, p. 5. Mater Education raised similar concerns about the loan cap applied to its nursing diploma. See Mater Education, *Submission 29*, p. 1 and p. 5.

65 Restaurant and Catering Australia, *Submission 37*, p. 2.

66 Restaurant and Catering Australia, *Submission 37*, p. 3.

67 William Angliss Institute, *Submission 44*, p. 4.

68 Australian Chamber of Commerce and Industry, *Submission 25*, p. 3.

3.63 Specifically, the Chamber felt that the government should announce a clear process by which providers can apply for exemptions on course caps and invite stakeholder feedback on the process.⁶⁹

3.64 Given the number of gaps already identified between the proposed loan caps and actual course delivery costs, the Photography Studies College (Melbourne) argued that more analysis was needed to identify realistic loan caps:

The type and quantum of loan cap and the three levels or 'bands' for loans has not formed part of any consultation process. Nor has any methodology been developed and tested to appropriately assess the true cost of delivery of vocational education and training programs – especially not in the non-public sector... For this to really be about achieving quality outcomes, a true analysis of the costs of delivery, involving and respecting the industry professionals who have the experience of providing the delivery needs to be urgently undertaken.⁷⁰

3.65 ACPET considered that the Minister should declare additional exemptions for courses that have high delivery costs, such as nursing:

The legislation provides for the Minister to declare exemptions for courses that have high delivery costs but also high social good. While there are indications aviation training will be exempt from the loan cap this must be confirmed. There is also a strong case for nursing and a number of other courses including those in the creative arts sector to also be exempt.⁷¹

3.66 Sage Institute of Education suggested that loan caps should not be applied equally irrespective of whether the course is being delivered face-to-face, online, or via mixed delivery modes: 'Loan caps applied equally irrespective of delivery mode could negatively impact quality, not improve quality, as providers may look to move high-cost courses online in order to compete'.⁷²

Consistency across the tertiary education sector

3.67 Some participants were concerned that the creation of different approaches to student loans in the VET and higher education sectors through the imposition of loan caps for VET courses could result in unequal opportunities for students, or distortions between the two sectors.

3.68 The Academy of Interactive Entertainment argued that the proposed system would not provide equal opportunities for all students and would create a two-tiered education funding structure whereby higher education was fully funded through VET FEE-HELP and Commonwealth subsidies while VET student loans were subject to loan caps.⁷³

69 Australian Chamber of Commerce and Industry, *Submission 25*, Attachment A, p. 4.

70 Photography Studies College (Melbourne), *Submission 38*, p. 2.

71 Australian College for Private Education and Training, *Submission 23*, p. 8.

72 Sage Institute of Education, *Submission 50*, p. 6.

73 Academy of Interactive Entertainment, *Submission 16*, p. 1.

3.69 The Canberra Academy of Dramatic Arts (CADA) considered that the introduction of different approaches to course fees between the VET and higher education, describing it as 'discriminatory':

When caps are placed on course loans, the government is effectively asking students to make a co-contribution. The proposed co-contributions are not required for student loans in higher education, and it is discriminatory to ask for a co-contribution in vocational education. Meanwhile it is entirely possible that a small RTO like CADA can provide a higher quality of actor training to students than fully funded higher education institutions offering similar courses.⁷⁴

3.70 The NTEU was concerned that 'opportunities to manipulate or game student loans and public funding will continue to exist as long as there remain fundamental differences in the way higher education and VET are funded and regulated'.⁷⁵ The NTEU suggested that the government should be cautious of any unintended impacts of creating two different VET and higher education regulatory frameworks, such as:

- the creation of gaps in the coverage, especially with regard to enabling or pathway courses for students who might qualify to enter upper level VET or higher education programs;
- providers seeking to register existing VET qualifications as higher education qualifications because of a lack of restrictions on what can be covered and/or the capacity to charge higher fees because of the higher loan limits applying to FEE-HELP loans (approximately \$100,000) compared to the \$5,000, \$10,000 or \$15,000 limits those being proposed for VET Student Loans; and
- students enrolling in higher education rather than VET simply because higher education offers a broader range of options than those that will be eligible for VET Student Loans.⁷⁶

3.71 TAFE Directors considered that the bills, if passed without amendment, would push students towards the simpler to navigate higher education rather than the more complex VET sector:

[A] key concern for our TAFEs is that prospective VET diploma students will instead be drawn to simpler, more navigable and likely Commonwealth subsidised study paths through bachelor and sub-degree courses especially if further extended to reforms in higher education to the benefit of Universities. This will inevitably further decrease participation in VET Diploma courses, that are highly valued by industry, particularly key technical paraprofessional qualifications.⁷⁷

74 Canberra Academy of Dramatic Arts, *Submission 4*, pp. 4–5.

75 National Tertiary Education Union, *Submission 2*, p. 2.

76 National Tertiary Education Union, *Submission 2*, p. 3.

77 TAFE Directors, *Submission 26*, pp. 3 and 5.

3.72 Unity College similarly felt that the stringent requirements in the VET sector of restrictions on eligible courses and the loan cap limits would potentially push prospective VET students towards higher education instead:

The new scheme is discriminatory in that the HELP loans program is available to all eligible students for ALL higher education courses at University level without restriction. Why should students who wish or need to study in the VET sector be restricted in the area of study they can do with the help of a student loan? This bill may only serve to force many students to leave the VET sector and choose courses at universities for which they can access a loan (usually for a much higher amount) meaning the government will have not actually saved any money at all and in fact forcing the student to be in greater debt.⁷⁸

3.73 The joint submission from the Ai Group and BCA expressed concerns that there would be a migration of both students and course providers from the VET sector to the higher education sector:

The combination of the loan cap, the course list, and the additional requirements on providers will drive private providers out of the VET market and into Higher Education ... The incentive is for providers to move to the easier and higher funded market – that is, the market where there is no loan cap. This is particularly true for Graduate Certificates and Graduate Diplomas, as the proposed list is very limited in the VET qualifications eligible for the loan scheme.

If these course levels are not available under the new loan scheme, it is an incentive for both providers and students to move to the Higher Education sector where equivalent qualifications are not subject to the same constraints as the VET market.

The demand-driven system in Higher Education has already driven both students and providers from VET to Higher Education. This is a poor outcome for the students who are more suited to VET, as well as government, as Higher Education costs more than VET.⁷⁹

3.74 Ms Rea explained why the NTEU felt that the migration of students towards higher education would be a negative outcome:

[B]ecause those [higher education courses] might not be the courses that students are already prepared to do—noting my point about the enabling and preparatory issues as well. But, if people are making the choice of what course they do on the basis of what loan they can get and the costs of it, that will be the basis for making the choice of course rather than whether it actually leads to what they want to do. Our view is that, when you make your choice of course, it should go with what your ambitions are, what sort

78 Ms Jillian Pryor, Chief Executive Officer, Unity College, *Submission 41*, p. 2.

79 Ai Group and Business Council of Australia, *Submission 43*, pp. 10–11.

of career you see yourself doing and so on and so forth, not which one you can afford.⁸⁰

3.75 The Ai Group and BCA encouraged the government to 'break away from the silos of the two sectors':

The sectors are deeply entwined, and changes to one program can create unintended consequences in one or both of the sectors. It is time for Australia to move to a tertiary policy approach, where the policies are designed with a consistent philosophy and principles across tertiary education.⁸¹

3.76 However, Innovative Research Universities argued in favour of clearer delineation between the VET and higher education sectors as a way to reduce confusion:

The decision to separate the VET loans away from higher education loans reduces the habitual confusion of VET specific issues into higher education debates. For instance, a significant aspect to the Parliamentary Budget Office's exaggerated assessment of the long term cost of the Higher Education Loans Program was the impact of the rapid escalation in VET FEE-HELP.⁸²

Committee view

3.77 The proposed loan cap limits will be applied to all courses on the eligible course list. The Minister for Education and Training will determine which courses fall under which band on the loan cap scale or specify exemptions from loan caps for certain courses.

3.78 The committee notes students would be required to pay the difference between the allocated loan cap and the actual course fee charged by approved VET providers.

3.79 The most significant concern amongst inquiry participants in relation to the loan caps was the disparity between the capped course loan limits and the actual delivery costs for courses. It was suggested that the proposed loan caps would have a negative impact on the skills of graduates, potentially resulting in the needs of employers and industry not being met. It was also feared that students from low socioeconomic backgrounds would be excluded from the VET system as they would be unlikely to be able to afford to pay for any fee gaps.

3.80 The committee also acknowledges the concerns raised about the imposition of loan caps which creates inconsistency across the tertiary education sector, with loan caps imposed on the VET sector but not the higher education sectors. This was argued

80 Ms Jeannie Rea, National President, National Tertiary Education Union, *Committee Hansard*, 25 October 2016, p. 38.

81 Ai Group and Business Council of Australia, *Submission 43*, p. 16.

82 Innovative Research Universities, *Submission 36*, p. 1.

to potentially result in unequal opportunities for students, or distortions between the two sectors.

3.81 A number of participants argued that the three proposed loan cap bands be increased to minimise these concerns, and that additional exemptions should be granted to courses that have a high delivery cost, such as nursing. There was also a view that the Minister and the department should consult widely to determine more realistic caps.

3.82 Given the opportunistic, unfair and excessive price rises by some providers under the VET FEE-HELP scheme the committee supports the introduction of loan caps for the VET system. The loan cap bands will be a useful tool in providing certainty for students as to the cost of their courses, so long as the loan cap bands realistically reflect the delivery cost of courses.

3.83 The committee acknowledges the methodology used by the department to determine the loan cap limits by calculating average course costs based on information from the NSW IPART. The committee notes that the period of time used—2010 to 2013—encompasses a time period largely before the rapid fee escalations seen under the VET FEE-HELP scheme. The committee views this method as a reasonable basis for establishing initial loan cap limits, and encourages the Minister to take other matters into account when finalising bands for individual courses and exemptions to ensure unintended consequences are minimised.

3.84 While it will be impossible to entirely minimise fee-loan gaps while also fulfilling the budgetary restraint desired by the government, the committee notes that it is within the power of the Minister to adjust the loans caps to ensure a greater correlation to the actual course delivery costs. The committee encourages the Minister to give adequate consideration to stakeholders where there are justifiable claims to increase the loan caps to ensure they realistically reflect the course delivery costs. Further, where a compelling case is made, the committee urges the Minister to ensure that courses with a high social value, high costs of delivery, or provide specialist skills are given consideration for an exemption from the loan caps, for example nursing.