



## Higher Education Support Amendment (Extending Fee-Help for VET Diploma and VET Advanced Diploma Courses) Bill 2007

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### Contents

Purpose. . . . .	3
Background. . . . .	3
The economics and origins of income contingent loans for higher education. . . . .	3
The VET context. . . . .	5
Diversity of the VET system . . . . .	5
Funding sources . . . . .	7
Extending income contingent loans to VET . . . . .	8
Key regulatory issues. . . . .	9
VET FEE-HELP . . . . .	9
Diploma and Advanced Diploma courses . . . . .	9
Table 1. . . . .	10
Credit transfer. . . . .	11

Full-fee courses . . . . .	12
Corporate requirements . . . . .	14
Provider financial viability and other requirements . . . . .	15
VET financing issues . . . . .	16
Future of VET financing . . . . .	16
Publicly-funded VET . . . . .	17
Main provisions. . . . .	20
Proposed Schedule 1A— VET FEE-HELP Assistance Scheme . . . . .	20
Conclusion . . . . .	22
Acknowledgements . . . . .	23

## Higher Education Support Amendment (Extending Fee-Help for VET Diploma and VET Advanced Diploma Courses) Bill 2007

**Date introduced:** 21 June 2007

**House:** Representatives

**Portfolio:** Education, Science and Training

**Commencement:** Sections 1-3, and anything in the Act not elsewhere covered by the table in subclause 2(1), on Royal Assent. The amendments contained in Schedule 1 commence on 1 January 2008.

**Links:**

The [relevant links](#) to the Bill, Explanatory Memorandum and second reading speech can be accessed via BillsNet, which is at <http://www.aph.gov.au/bills/>. When Bills have been passed they can be found at ComLaw, which is at <http://www.comlaw.gov.au/>.

### Purpose

The Higher Education Support Amendment (Extending Fee-Help for VET Diploma and VET Advanced Diploma Courses) Bill 2007 (the Bill) amends the *Higher Education Support Act 2003* to extend income contingent loans, currently available in the higher education sector (known as FEE-HELP), to the Vocational Education and Training (VET) sector. VET FEE-HELP, as it will be known, will be offered within the parameters of a students' available, FEE-HELP balance. It will be available for full-fee Diploma and Advanced Diploma courses where arrangements have been put in place between an approved VET provider and a higher education provider to credit the qualification towards a higher education award.

### Background

The economics and origins of income contingent loans for higher education

With an increasing demand for higher education, there has been a worldwide trend in higher education financing towards cost-sharing between governments and students through the application of fees and charges. Higher education student charges are supported by a substantial body of economic and public finance literature (though politically and ideologically contested) that suggests that while there are substantial benefits to society from higher education, there are also benefits or private returns to the

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individual.<sup>1</sup> To this extent, in the interests of equity the theory argues, the costs should be shared between the government (the taxpayers) and the individual student. However, financing these charges poses a problem in that it might be some time before some of the returns to the individual, such as higher income, are realised. Up-front fees that by definition are paid before the benefits are realised, can therefore act as a significant barrier to further investment in education. Some economists argue that capital markets are ineffective at providing loans for human capital investments, and that therefore government-funded income contingent loans that make repayments conditional on the benefits being realised in the form of future income, are a more suitable way of supporting and encouraging private investment in higher education.<sup>2</sup>

Income contingent loans were made available in the higher education sector in 1989 to support the Commonwealth Government's re-introduction of charges for undergraduate university courses. They were first introduced to assist students with their contributions to Commonwealth supported university places, then known as the Higher Education Contribution Scheme (HECS) and now known as HECS-HELP.

In 2005 income contingent loans known as FEE-HELP, were also made available to domestic students paying full-fees in non-Commonwealth funded courses at universities and eligible private higher education providers. Expectations were that with the introduction of FEE-HELP there would be an increase in the uptake of full-fee places. In 2005, 6635 student places accessed FEE-HELP pushing the percentage of domestic full-fee paying undergraduate places from 2.47 per cent in 2004 to 4.1 per cent in 2005.<sup>3</sup> There are predictions that by 2008, one in ten domestic students will be full-fee paying students,

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1. Nicholas Barr , 'Higher education funding', *Oxford review of economic policy*, v.20, no.2, pp. 264-283. This paper notes 'There are strong qualitative arguments that higher education creates benefits to society above those to the individual—benefits in terms of growth, social cohesion and the transmission of values...and the development of knowledge for its own sake. Those arguments suggest that taxpayer subsidies to higher education should be a permanent part of the landscape. Quantifying those benefits, however, entails a series of difficulties, not least because it is hard to separate the effects of education from other determinants of a persons' productivity. ... In contrast, there is much firmer evidence of the substantial private returns from a degree', pp. 268–269.
  2. See Bruce Chapman, Mark Rodrigues and Chris Ryan, 'HECS for TAFE: the case for extending income contingent loans to the vocational education and training sector', *Treasury working paper, 2007-2*, Treasury, 2007 for a fuller exploration of these arguments <http://www.treasury.gov.au/contentitem.asp?NavId=&ContentID=1252>, accessed on 27 July 2007.
  3. Selected Higher Education Statistics, Students 2004, Department of Education, Science and Training (DEST) 2006 and Selected Higher Education Statistics, Students 2005, DEST, 2007.

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partly as a result of FEE-HELP and partly due to other factors such as a small growth in HECS liable places and a reduced differential between full-fees and HECS.<sup>4</sup>

In 2005 the Commonwealth provided \$1.9 billion in HECS-HELP assistance of which \$1.6 billion was HECS-HELP and \$289 million was FEE-HELP.<sup>5</sup>

The effect of the experience with income contingent loans to date is that higher education revenues have increased in real terms. Student contributions through HECS and *fees and charges* (as revenue from full-fees is identified in official statistics) have grown as a proportion of total university revenue, and government contributions have declined proportionately. In 1995 HECS, and *fees and charges* each accounted for about 12 per cent of university revenue and government funding 58 per cent. In 2005 HECS accounted for 16 per cent, *fees and charges* for 23 per cent and government funding for 44 per cent.<sup>6</sup>

## The VET context

### Diversity of the VET system<sup>7</sup>

The Australian VET system is extremely diverse in every regard—courses, training providers, students, and fees and charges.

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4. Bruce Chapman, '[Opinion: a critical appraisal of the new higher education charges for students](#)', Technical Report Seminars, Political Science Program, Research School of Social Sciences, ANU, 2004 as referred to in Coral Dow, 'Higher Education Legislation Amendment (2006 Budget and Other Measures) Bill 2006', *Bills Digest*, no.28, Parliamentary Library, Canberra, 2006–07, p. 9, [http://parlinfoweb.aph.gov.au/piweb/TranslateWIPILink.aspx?Folder=billsdgs&Criteria=CITATION\\_ID:3F1L6%3B](http://parlinfoweb.aph.gov.au/piweb/TranslateWIPILink.aspx?Folder=billsdgs&Criteria=CITATION_ID:3F1L6%3B), accessed on 27 July 2007.
  5. Australian National Audit Office, *The higher education loan programme: Department of Education, Science and Training*, Audit report no. 50, 2006-07 Performance Audit, 2007, p. 30, [http://www.anao.gov.au/uploads/documents/2006-07\\_Audit\\_Report\\_50.pdf](http://www.anao.gov.au/uploads/documents/2006-07_Audit_Report_50.pdf) accessed on 27 July 2007.
  6. Sources for these calculations include *DEST Selected Higher Education Finance Statistics Report 1995* and Universities Australia, *University Revenue and Expenses by Main Source, 1996 - 2004* <http://www.universitiesaustralia.edu.au/documents/publications/stats/UniIncomeTable-Nov05.xls> updated with DEST, *Finance 2005*, [http://www.dest.gov.au/NR/rdonlyres/0691B27A-6217-42BC-AAD4-BBE8E4BC0DEB/14101/Finance\\_2005.pdf](http://www.dest.gov.au/NR/rdonlyres/0691B27A-6217-42BC-AAD4-BBE8E4BC0DEB/14101/Finance_2005.pdf), accessed on 2 August 2007.
  7. This section is primarily drawn from *Students and courses 2005*, National Centre for Vocational Education Research (NCVER), 2006, <http://www.ncver.edu.au/statistics/vet/ann05/id05/intro.htm>, accessed on 29 July 2007.

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VET provides students with the technical skills and knowledge they require to enter the workforce for the first time, to re-enter the workforce, to retrain for a new job or to upgrade their skills for an existing job. Approximately half the VET students undertake relatively short, focused programs of training, while others undertake more extended programs, some of which lead to the award of qualifications under the Australian Qualifications Framework (AQF) (see Table 1).

Since the 1990s government policies have supported the development of a competitive market in VET provision. Today, VET is provided through a national network of over 4,000 public and private registered training providers.<sup>8</sup> VET providers include state and territory government run institutes of technical and further education (TAFE), other government providers (e.g. university VET campuses, and agricultural colleges in some states), community-based providers, private providers, enterprises and some secondary schools. While TAFE is now merely another provider in the market it is still the single largest provider and TAFE's 'role as a deliverer of social programs and of some aspects of governments' social obligations remain undiminished'.<sup>9</sup> There are approximately 72 TAFE institutes operating out of a large number of campuses. The Australian Council for Private Education and Training (ACPET), the main representative body of private providers, represents more than 1000 private organisations delivering a full range of higher education, vocational education and training and English language courses.<sup>10</sup>

In 2006 there were approximately 1.7 million VET students and 1.33 million were enrolled at TAFE and other government providers.<sup>11</sup> Students in VET come from all age groups, and from a diversity of backgrounds. These include Aboriginal and Torres Strait Islanders, overseas-born, those whose main language is not English, those with a disability, employed, unemployed or not in the labour force, and students from the full range of prior-education levels. An increasing number are still attending secondary school. An important subset (18.3 per cent) of VET students are apprentices and trainees. Many students are the focus of access and equity programs by providers and governments. TAFE

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8. Department of Education, Science and Training, *Annual national report of the Australian vocational and technical education system 2005*, DEST, 2006, p. 12.
  9. Peter Kell, *TAFE futures: an inquiry into the future of technical and further education in Australia*, AEU 2006, p.26 <http://www.aeufederal.org.au/Publications/TFreport.pdf>, accessed on 27 July 2007, p. 9.
  10. Australian Council for Private Education and Training web site [http://www.acpet.edu.au/index.php?option=com\\_frontpage&Itemid=1](http://www.acpet.edu.au/index.php?option=com_frontpage&Itemid=1) accessed on 2 August 2007.
  11. *Australian vocational education and training statistics: students and courses: summary 2006*, NCVET, 2007, <http://www.ncvet.edu.au/statistics/vet/ann06/sum06/sd07507.pdf>, accessed on 2 August 2007.

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in particular plays an important role in providing general education, equity programmes, and pre-vocational and access programmes. The great majority (about 89 per cent) of students study part-time.

Tuition fees for publicly-funded courses can vary enormously from course to course, across providers and jurisdictions, and also between students. The fees faced by any student within most jurisdictions will vary according to the number of training hours. Non-tuition fees such as charges for materials, and fees for commercially provided courses also vary greatly.

### Funding sources

As in higher education, VET courses are funded by government and, since the late 1980s, in some part by individuals through, as identified in official statistics, *student fees and charges* i.e. those levied on publicly-funded students, and *fee-for-service* i.e. those for full-fee courses.

Government funding accounts for the major share of VET revenue but, with increases in private contributions in recent years, this share has decreased marginally. In 2005, 77.6 per cent of VET funding came from government—55.6 per cent from state/territory governments and 22.0 per cent from the Australian Government. This compares with 78.8 per cent from government in 2001—56.7 per cent from state/territory governments and 22.1 per cent from the Australian Government.<sup>12</sup>

Revenue from publicly-funded students i.e. *student fees and charges* (regulatory fees from domestic students including administration charges, tuition fees, materials fees and student amenities fees that are paid to training providers) continues to be small, but has grown marginally over the decade from about 4.0 per cent to 4.7 per cent of VET revenue in 2005.<sup>13</sup>

Full-fee arrangements i.e. *fee-for-service* (fees other than regulatory, received from individuals and organisations for courses that are paid to and retained by the provider for services provided under contracts or commercial arrangements) account for 12.6% of VET revenue in 2005, having grown from 9.1% in 1995.<sup>14</sup> This growth can be attributed to the

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12. *Australian vocational education and training statistics: Financial information 2005*, NCVER 2007, <http://www.ncver.edu.au/statistics/fin/ann05/fininfo05.pdf>, accessed on 20 July 2007, p. 9.

13. *ibid.*, p. 9.

14. *ibid.*, p. 9 and *Australian vocational education and training statistics 2000: Financial data*, NCVER, 2001, p. 8 <http://www.ncver.edu.au/statistic/publications/618.html> accessed on 20 July 2007.

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development of a competitive training market which has led to an increase in the number of private providers and the number of courses provided on a commercial basis.

### Extending income contingent loans to VET

Making the case for extending income contingent loans to the VET sector, a study by economists, recently published by the Treasury, argues that as with higher education, there are private rates of return to VET that make student charges justifiable. Consequently, the study argues, VET students should have access to income contingent loans, because up-front fees may be acting as a barrier to VET participation for some students.<sup>15</sup>

Their calculations are based on fees ranging from \$500 to \$1500 per annum and show returns of up to 37% for Certificates III/IV and from 10%-14% for Diploma level courses. The latter are said to be ‘roughly comparable to those usually estimated with respect to investments in undergraduate higher education degrees’.<sup>16</sup>

The study suggests that income contingent loan arrangements could be used to support higher fees without increasing the burden on students, thus increasing funds to the VET sector. As the loans are interest free, fees could be increased while maintaining the net present value of the student subsidy.<sup>17</sup>

Despite findings of private returns across fees up to \$1500, and VET qualifications from Certificate III up, the study suggested introducing the loans to the VET sector by extending the pre-existing FEE-HELP scheme only to ‘TAFE Diplomas and Associate Diplomas’.<sup>18</sup> Certainly building on pre-existing arrangements would be administratively easier and would also deliver sectoral consistency, as Diploma and Advanced Diploma qualifications are an area of sectoral overlap, and the scheme already applies to students in the higher education sector.

Another consideration might well be that given the enormous diversity of VET courses, fees and charges, and providers, Diploma and Advanced Diploma courses might most easily lend themselves to such arrangements because full-time courses in VET are most likely to be at the Diploma level.<sup>19</sup> There are therefore likely to be many unresolved issues

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15. Chapman, 2007, op. cit.

16. *ibid.*, p. 43.

17. *ibid.*, p. 38.

18. *ibid.*, p. 41.

19. See Louise Watson, *What do TAFE students pay?: a review of charging policies in Australian vocational education and training*, NCVER, 2003, p. 21.

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with the implementation of these loans in VET, not the least of these are risks associated with fee levels, as the study seems to suggest:

The Commonwealth government has traditionally not been directly involved in TAFE and it would need to be satisfied that the risks associated with, for example, the level of fees being raised, have been fully thought through.<sup>20</sup>

Such a limited introduction into the VET sector might therefore be viewed as a trial. The Bill essentially takes up the idea of targeting loans to Diploma and Advanced Diploma courses but it also places other conditions that would further limit the availability of these loans.

## Key regulatory issues

### VET FEE-HELP

The Bill will make income contingent loans available to the VET sector through VET FEE-HELP. VET FEE-HELP will only be available for Diploma and Advanced Diploma courses where full-fees are charged (the loans do not cover tuition fees for publicly funded courses); where arrangements have been made for credit transfer to a higher education award; and only to VET providers that are corporate bodies.

### Diploma and Advanced Diploma courses

Unlike other qualifications in the AQF, Diplomas and Advanced Diplomas can be accredited through both the higher education and VET sectors (see Table 1). At present there is an inconsistency in the assistance measures available to students in these courses in the two sectors. Therefore one of the reasons for extending FEE-HELP specifically to Diploma and Advanced Diploma courses, is to provide parity or equity with those students doing these courses in the higher education sector where FEE-HELP is already available.<sup>21</sup> Administrative ease and consistency of treatment may therefore well have played a role in this decision.

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<http://www.ncver.edu.au/publications/1391.html>, accessed on 27 July 2007 for a description of the complex array of fees and charges in the VET sector

20. *ibid.*, p. 17

21. Department of Education, Science and Training (DEST), Submission to Senate Employment, Workplace Relations and Education Legislation Committee, Inquiry into the Higher Education Legislation Amendment (Extending FEE-HELP for VET Diploma and VET Advanced Diploma Courses) Bill 2007, 2007, p. 1  
[http://www.aph.gov.au/Senate/committee/eet\\_ctte/highered\\_amend07/submissions/sub01.pdf](http://www.aph.gov.au/Senate/committee/eet_ctte/highered_amend07/submissions/sub01.pdf), accessed on 27 July 2007 and see also the executive director of TAFE Directors Australia,

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Table 1

**AQF Qualification by Sector of Accreditation**

Schools Sector Accreditation	Vocational Education and Training Sector Accreditation	Higher Education Sector Accreditation
Senior Secondary Certificate of Education	Vocational Graduate Diploma	Doctoral Degree
	Vocational Graduate Certificate	Masters Degree
	Advanced Diploma	Graduate Diploma
	Diploma	Graduate Certificate
	Certificate IV	Bachelor Degree
	Certificate III	Associate Degree, Advanced Diploma
	Certificate II	Diploma
	Certificate I	

Source: Australian Qualifications Framework web site, <http://www.aqf.edu.au/aqfqual.htm>, accessed on 17 July 2007.

It has been suggested that the VET sector itself will also benefit by not being placed at a competitive disadvantage when it comes to attracting full-fee Diploma and Advanced Diploma students. However, Diploma and Advanced Diploma students are already more highly represented in the VET sector. In 2002 publicly funded and full-fee Diplomas and Advanced Diplomas together, accounted for 14 per cent of all enrolments and more significantly, about 23 per cent of all anticipated course hours.<sup>22</sup> By comparison, in 2005 there were 7546 students at universities and private higher education providers, representing only 0.7% of all students or 1.1% of all undergraduate students.<sup>23</sup>

A further argument, as the Minister has said, is that the promotion of VET Diploma and Advanced Diploma qualifications is a way of raising the standard and status of VET qualifications: ‘high level technical qualifications’ are ‘important to raise the status of

Martin Riordan’s comments as reported in Emma Macdonald, ‘Mixed views on loan scheme for TAFE’ *Canberra Times*, 20 April, 2007, p. 8.

22. John Stanwick, *Outcomes from higher-level vocational education and training qualifications*, NCVER, 2006, p. 19, <http://www.ncver.edu.au/research/core/cp0405.pdf>, accessed on 17 July 2007.

23. Selected Higher Education Statistics, Students 2005, DEST, 2007.

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vocational and technical education'.<sup>24</sup> Through credit transfer or articulation, these courses provide pathways to higher level qualifications, and also opportunities for greater collaboration with the university sector.

Less well-stated, but potentially implicit in the reasoning for targeting Diploma and Advanced Diploma courses, is that professional and associate professional occupations are expected to be the areas of greatest labour market growth in the future. Predictions are that there will be labour shortfalls in these areas if current levels of supply of Diploma and Advanced Diploma qualifications are maintained, as these are the qualifications that prepare people for work in these higher occupation areas.<sup>25</sup> Therefore by providing students with the financial support needed to undertake studies at this level, VET FEE-HELP can potentially help finance this demand.

### Credit transfer

The Bill would only extend FEE-HELP to those courses for which credit may be transferred to a higher education award. Being so called middle-level qualifications (i.e. above Certificate-level but below Degree-level) Diploma and Advanced Diplomas can serve as pathways to further study when articulated into Degree-level qualifications. It has been noted that 'the most direct interface between VET and higher education is at the diploma level'—in 2003 'about 14 per cent of commencing higher education students had a technical and further education (TAFE) diploma or advanced diploma as their highest prior qualification' representing a significant proportion of all commencing students if not a major proportion.<sup>26</sup>

However, there does not exist a national system of credit transfer between the sectors. This could potentially limit the spread of VET FEE-HELP, at least in the short-term as individual arrangements for credit transfer are made between providers in the two sectors. The state ministers' agreement 'to work on the administratively complex and resource-intensive credit transfer arrangements between VET and higher education' at a recent

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24. Andrew Robb, Minister for Vocational and Further Education, 'Second reading speech: Higher Education Legislation Amendment (Extending FEE-HELP for VET Diploma and VET Advanced Diploma Courses) Bill 2007', House of Representatives, *Debates*, 21 June 2007, p. 12  
[http://parlinfoweb.aph.gov.au/piweb/TranslateWIPILink.aspx?Folder=hansardr&Criteria=DOC\\_DATE:2007-06-21%3BSEQ\\_NUM:21%3B](http://parlinfoweb.aph.gov.au/piweb/TranslateWIPILink.aspx?Folder=hansardr&Criteria=DOC_DATE:2007-06-21%3BSEQ_NUM:21%3B), accessed on 27 July 2007.
25. C. Shah and G. Burke, *Qualifications and the future of the labour market in Australia*, CEET, Monash University, 2006, pp. ix-xiii,  
<http://www.eduweb.vic.gov.au/edulibrary/public/voced/research-CEET-quals-labour-market.pdf>, accessed on 17 July 2007 see also Stanwick, op. cit., pp. 12, 15.
26. Stanwick, op. cit., p. 17.

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Ministerial Council for Vocational Education and Technical Education (MCVTE) meeting, is therefore likely to be significant.<sup>27</sup>

Of this limitation the Department of Education Science and Training (DEST) has said ‘the Government has decided to limit the scope of application in this way so that students are aware of their options to study in higher education after they have completed their VET study which would have consumed some of their FEE-HELP lifetime loan limit’.<sup>28</sup>

In its submission to the Senate inquiry into the Bill, ACPET, while welcoming VET FEE-HELP, takes issue with this aspect of the proposal. It suggests that it imposes an ‘unnecessary constraint’, that Diplomas and Advanced Diplomas should have integrity as ‘exit qualifications’ as they reflect a workforce need, and that an unintended consequence is that it might limit the number of new courses because many have ‘no obvious equivalent or pathway in a university’. Furthermore they argue that as currently drafted, the Bill would require even those VET institutions that offer degree-level courses to enter into an agreement with a university; and that it might lead to anti-competitive, exclusionary practices by universities and ‘contrived compliance arrangements’ such as the development of ‘generic degrees’.

ACPET also notes that other middle-level AQF qualifications, namely the Vocational Graduate Certificates and Diplomas, which may also serve to expand learning pathways, have not been included. ACPET regards this as anomalous.<sup>29</sup>

### Full-fee courses

The Bill limits VET FEE-HELP to students in eligible full-fee courses. Students paying tuition fees in publicly funded Diploma and Advanced Diploma courses are not eligible. As the *fee-for-service* sector is relatively small, its initial reach will be limited. The *fee-for-service* sector accounts for only 24.1 per cent of VET students and 12.1 per cent of hours of delivery, and Diploma and Advanced Diploma courses that would be eligible under this Bill would only account for a proportion of this. By comparison, the

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27. Alethea Mouhtouris, ‘Ground shifting under TAFE’, *Campus review*, v.17, no.24, 19 June 2007.

28. DEST, *op. cit.*, p. 3.

29. Australian Council for Private Education and Training (ACPET), Submission to Senate Employment, Workplace Relations and Education Legislation Committee, Inquiry into the Higher Education Legislation Amendment (Extending FEE-HELP for VET Diploma and VET Advanced Diploma Courses) Bill 2007, 2007, pp. 3–4, [http://www.aph.gov.au/Senate/committee/eet\\_ctte/highered\\_amend07/submissions/sub04.pdf](http://www.aph.gov.au/Senate/committee/eet_ctte/highered_amend07/submissions/sub04.pdf), accessed on 27 July 2007.

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government funded sector accounts for 74.4 per cent of VET students and 84 per cent of delivery.<sup>30</sup>

However, as indicated earlier, with the development of a competitive VET training market of public and private providers, the *fee-for-service* area of VET activity has been growing. As VET FEE-HELP is being targeted to this area of VET activity, it is likely to support further growth, at least insofar as Diploma and Advanced Diploma courses are concerned.

Full-fee courses are offered by TAFEs and private providers in all jurisdictions and therefore the initiative has been well-received by state governments, TAFE Directors Australia and ACPET. Particular circumstances where full-fee courses are offered in TAFEs include where a course is fully subscribed and additional courses are provided on a full-fee basis, and in areas not receiving public funding such as those in new or emerging industries.<sup>31</sup> The private VET sector is also active in developing new courses in areas of labour market need.<sup>32</sup>

Submissions to the Senate inquiry into the Bill suggest that there are a number of full-fee paying students and courses at the Diploma and Advanced Diploma level that might benefit from this measure. DEST noted that 'a significant proportion of the courses' at the Diploma and Advanced Diploma level 'are full-fee courses, particularly those delivered by Registered Training Organisations'.<sup>33</sup> The Queensland Government also notes in its submission that 'there are more than 7,000 domestic fee-for-service VET Diploma and VET Advanced Diploma students in Queensland TAFE'.<sup>34</sup>

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30. *Australian vocational education and training statistics: Students and courses 2006: Summary*, NCVER, 2007, <http://www.ncver.edu.au/statistics/vet/ann06/sum06/sd07507.pdf>, accessed on 20 July 2007, p. 11.

31. Watson, op. cit., p. 21

32. ACPET, op. cit., p. 3.

33. DEST, op. cit., p. 3 see also Watson, op. cit., p. 21.

34. The Hon. Rod Welford, Minister for Education, Training and the Arts, Submission to Senate Employment, Workplace Relations and Education Legislation Committee, Inquiry into the Higher Education Legislation Amendment (Extending FEE-HELP for VET Diploma and VET Advanced Diploma Courses) Bill 2007, 2007, . [http://www.aph.gov.au/Senate/committee/eet\\_ctte/highered\\_amend07/submissions/sub07.pdf](http://www.aph.gov.au/Senate/committee/eet_ctte/highered_amend07/submissions/sub07.pdf), accessed on 27 July 2007.

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Examples of the level of fees charged to full-fee paying students include domestic and international fees of \$13 000 for hairdressing and \$6060 for a Diploma in Multimedia.<sup>35</sup>

ACPET has advocated that the ‘cap’ on loans ‘should be sufficiently high to cover the most expensive course offered by any one of its members’ and that ‘it would be preferable if there were no difference between the higher education cap and the Diploma or Advanced Diploma one’.<sup>36</sup> As explained in the DEST submission, the approach taken which provides for a ‘FEE-HELP balance’, involves integrating FEE-HELP and VET FEE-HELP into a single ‘FEE-HELP lifetime loan limit’. The general FEE-HELP loan limit is currently \$80,000, and for medicine, dentistry and veterinary science students, the FEE-HELP loan limit is \$100,000.

Given the great diversity of VET courses, providers, and fees and charges, the administration of this program in the VET sector might well present new administrative challenges. The effect of the introduction of VET FEE-HELP on the fees charged by VET providers, and the impact on government expenditure are likely to require monitoring.

The government has estimated around \$221 million in VET FEE-HELP loans over the next four years to 2010–11.<sup>37</sup>

### Corporate requirements

VET FEE-HELP will only be available for eligible courses available from approved VET providers. The Bill defines a VET provider as ‘a body corporate’.

While VET FEE-HELP has been welcomed by TAFE, the effect of this requirement will be to significantly limit TAFE student access to these loans as TAFEs in most states are not corporate bodies. Many TAFE students will therefore not have access to these loans.

TAFE Directors Australia Executive Director Martin Riordan has said that students in TAFEs in states outside Victoria and Western Australia would not be able to access loans for years.<sup>38</sup> In its submission to the Senate inquiry the Queensland government has said:

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35. Kell, op.cit, p.26 <http://www.aeufederal.org.au/Publications/TFreport.pdf>, accessed on 27 July 2007 and Chapman, 2007, op. cit., p. 3.

36. ACPET op. cit., p. 5

37. Higher Education Legislation Amendment (Extending FEE-HELP for VET Diploma and VET Advanced Diploma Courses) Bill 2007, *Explanatory Memorandum*.

38. Sophie Morris, ‘States warned on raising fees on back of vouchers’, *Australian Financial Review*, 10 May, 2007, p. 15,

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Queensland TAFE Institutes are not constituted as corporate bodies. Therefore unless it is the Australian government's intention to exclude Queensland TAFE students from access to FEE-HELP loans assistance, the definition of a VET provider must be amended in the Bill.

Of this requirement the Minister said in a matter-of-fact way in his second reading speech:

current FEE-HELP legislation requires providers to be corporate bodies and this is also a requirement for VET providers.

As the provision has been included in an entirely new schedule specific to VET FEE-HELP and its administration, it could be easily varied without compromising the higher education FEE-HELP arrangements. However, media commentators have suggested that the intention of this requirement is in fact to 'put pressure on states to relinquish control of TAFE institutes by restricting new student loans to those colleges that are incorporated'.<sup>39</sup> This objective for TAFE was reinforced in the Minister's recent speech to the Minerals Council of Australia where he expressed the view that 'our TAFEs should at least be granted the autonomy enjoyed by our universities' and 'the TAFEs are a wonderful national asset', 'they should be given the opportunity to take true responsibility for their business, free to respond to industry and student demands'.<sup>40</sup>

Given the effect this condition will have on restricting access to, and the spread of VET FEE-HELP within TAFE in some jurisdictions, it is likely to advantage private providers, particularly if state and territory governments find a way of facilitating credit transfer arrangements. However, given that the largest part of the VET sector is TAFE, in the short-term at least, the government may well have to consider how the two competing priorities, i.e. the increase in higher level qualifications supported by loans, and the restructuring of TAFE in those states/territories where they are centrally managed by state and territory departments of education and training, might be satisfied.

#### Provider financial viability and other requirements

While it is unclear at this stage how many private Registered Training Organisations (RTOs) may seek approval from the Minister to access VET FEE-HELP, it has been reported that there are currently 60 private colleges accessing FEE-HELP, up from 44 two

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[http://parlinfoweb.aph.gov.au/piweb/TranslateWIPILink.aspx?Folder=pressclp&Criteria=CITATION\\_ID:2S0N6%3B](http://parlinfoweb.aph.gov.au/piweb/TranslateWIPILink.aspx?Folder=pressclp&Criteria=CITATION_ID:2S0N6%3B), accessed on 27 July 2007.

39. *ibid.*

40. Andrew Robb, Minister for Vocational and Further Education, 'Government policy perspectives on vocational training and education' *Speech, Minerals Council of Australia*, 30 May 2007.

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years ago.<sup>41</sup> Given the large number of the private VET providers this figure could rise substantially. The administrative burdens and costs of administering this program, including assessing the financial viability of VET providers and other quality and accountability requirements, could be quite considerable.

## VET financing issues

### Future of VET financing

After over a decade of Commonwealth, state and territory government negotiations over funding for growth in the VET sector, total government contributions have barely grown in real terms. As shown earlier, although government is still a very large and significant source of revenue, private sources of funding and *fee-for-service* in particular, have increased as a proportion of VET revenue. However, real growth in total VET revenue, both public and private, has only been 2 per cent over the last five years, while hours of training delivered by the sector have increased by 15 per cent. Projections that VET revenues would need to expand by 5 per cent per annum from 2006 to meet anticipated need, therefore raise serious questions about how this growth will be funded.<sup>42</sup>

While the Commonwealth Government has maintained its level of grants to state and territory governments to support publicly funded VET courses and students, Commonwealth priorities and expenditure growth in recent years have focused on individual students.<sup>43</sup> Payments to encourage engagement in VET, and in particular areas of skill shortage such as traditional apprenticeships, have included income support, skills vouchers for basic skills, toolkits and scholarships, tax-free wage top-ups, and training vouchers. VET FEE-HELP will add to the direct assistance measures available from the

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41. Geoff Maslen, 'Big bill likely for course loans', *Australian Financial Review*, 30 July 2007, p. 34.
  42. Gerald Burke, *Spending on education and training: an update*, CEET 10<sup>th</sup> National Conference, 3 November 2006, pp. 3, 7, 11, <http://72.14.253.104/search?q=cache:10YuEvg5uIJ:www.education.monash.edu.au/centres/ceet/docs/conferencepapers/2006confburke.ppt+spending+on+education+burke&hl=en&ct=clnk&cd=1&gl=au>, accessed on 27 July 2007.
  43. Under the *Realising our potential –VET* initiative the 2007-08 Budget provided a \$638 million increase in expenditure over four years on new measures which build on the \$837 million over five years on the *Skills For the Future* initiatives announced by the Prime Minister in October 2006. This can be compared with the Commonwealth's contribution to state/territory grants under the 2005–08 *Commonwealth-State Agreement for Skilling Australia's Workforce* which provided additional funding of only \$215 million for the quadrennium.

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Commonwealth government to VET students, though it has a somewhat different focus in that it targets full-fee, higher level qualifications.

The significance of VET FEE-HELP however, is its potential to raise the levels of private revenue available to the VET sector and the consequential impact on VET financing arrangements. By providing loans to students, it would increase the capacity of VET students to pay their own way. This offers the potential to draw more private funding into the VET sector. As in the higher education sector, this would add to the funds available for the sector to grow. It is therefore not surprising that governments, business and public and private VET providers are not merely supporting it, but have been actively advocating it.<sup>44</sup>

However, there are concerns that this public, financial investment in the development of privately funded VET—initially estimated at \$221 million over four years—might distract from, or compete with, funding for publicly-supported places. Anticipating such concerns the Minister in his second reading speech stated in very general terms that ‘governments will continue to support training through public funding’ and that ‘states and territories will be expected to continue with their level of funding for training and to continue to provide public funding for training’.

The Minister’s signalling his intention to significantly change government funding arrangements for VET by aligning the funding model for VET with that used for higher education, would however have added to the uncertainty about the future. His proposed model would involve funding for ‘student places as opposed to teaching hours’ and ‘in this way individual TAFEs would be free to decide what courses, the number of courses in each place and the methods of delivery.’<sup>45</sup> The states and territories have agreed to discuss these proposed reforms.<sup>46</sup>

### Publicly-funded VET

The introduction of VET FEE-HELP may therefore well be regarded as the beginning of this alignment process. Even though the Bill does not extend loans to publicly-funded courses which are the main area of VET activity, their introduction focuses attention on how limited public dollars are spent, particularly when there is evidence that publicly-supported VET is under pressure.

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44. See Welford and ACPET, op. cit., also Australian Chamber of Commerce and Industry, *Skills for a nation*, 2007, Ch. 6, <http://www.acci.asn.au/SkillsBlueprintMain.htm>, accessed on 27 July 2007.

45. Robb, op. cit., p. 6.

46. Mouhtouris, op. cit.

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Furthermore, the proposed move to a higher education model of VET funding might well lead to the extension of income contingent loans to publicly-funded courses in the future. Indeed most supporters of income contingent loans have not limited their support to full-fee courses, but in fact have arrived at their position from analysis of tuition fees and charges for publicly-supported courses.<sup>47</sup> Those opposed to loans in VET have concerns about what such a model might mean for the future of VET fees for publicly-supported students given the increase in student contributions through HECS in recent years.

In opposing the introduction of loans for TAFE students on the grounds that they would lead to 'massive increases in TAFE fees', Greens Senator Kerry Nettle said:

TAFE has always provided educational opportunities for working class Australians, struggling young people, Indigenous Australians and older migrant Australians seeking a second chance at education or the opportunity to retrain in a new area. These people will not be able to afford to repay excessive TAFE fees...<sup>48</sup>

This reflects a view that VET, or TAFE in particular, has a specific public service role as a deliverer of social programmes which includes supporting clients with special needs, and that this role should be supported by public funding. Publicly-funded courses are provided to support these needs, some of which are offered free of charge, eg. adult literacy courses and introductory courses, or offered to specific client groups on a concession basis (across the various jurisdictions from 20 per cent to up to 50 per cent of students receive concessions).<sup>49</sup> However, a 2003 NSW Government decision to abolish fee exemptions for disadvantaged TAFE students, which was later reversed, may be indicative of how tenuous government commitment to this role might be, particularly when there are funding constraints.<sup>50</sup>

Limits to government funding have meant that the sector has turned to increasing the fees and charges on non-concession students in publicly-funded courses. While state

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47. See Watson, Chapman and Kell, op. cit.

48. Kerry Nettle, Senator for NSW, 'TAFE loans scheme will see TAFE fees skyrocket', *Media release*, 20 March 2006, [http://parlinfoweb.aph.gov.au/piweb/TranslateWIPILink.aspx?Folder=pressrel&Criteria=CITATION\\_ID:QY3J6%3B](http://parlinfoweb.aph.gov.au/piweb/TranslateWIPILink.aspx?Folder=pressrel&Criteria=CITATION_ID:QY3J6%3B), accessed on 27 July 2007.

49. Watson, op. cit., p. 11. The client groups are common to all jurisdictions - Aboriginal and Torres Strait Islanders, AUSTUDY recipients, those in receipt of Centrelink pensions/income support payments, and apprentices and trainees.

50. Linda Doherty, 'Disadvantaged guaranteed free TAFE in backflip', *Sydney Morning Herald*, 5 August, 2003, p. 5, [http://parlinfoweb.aph.gov.au/piweb/TranslateWIPILink.aspx?Folder=pressclp&Criteria=CITATION\\_ID:IE1A6%3B](http://parlinfoweb.aph.gov.au/piweb/TranslateWIPILink.aspx?Folder=pressclp&Criteria=CITATION_ID:IE1A6%3B), accessed on 27 July 2007.

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government TAFE fee increases attract criticism from the Commonwealth Government, the provision of adequate funding that would reduce the need for such increases, is a shared responsibility.<sup>51</sup> Such responses therefore raise concerns that there may not be a shared commitment from governments to provide adequate public funding to contain future increases in fees and charges for publicly-supported students.<sup>52</sup>

Though in relative terms they may be considered moderate, the rise in TAFE fees in recent years has meant that students in publicly-funded courses are facing increasing financial burdens. In 2003 they ranged from \$260–\$810 for full-time (540 hours) non-concession students<sup>53</sup> and more recent estimates show maximum fees for government funded courses of \$900 in Tasmania and \$1224 in NSW.<sup>54</sup> Non-tuition costs such as materials/resources charges for particular courses can also be quite substantial, eg. in Victoria course materials fees range from nil to \$1950 and in Western Australia they have been reported to be as high as \$2788.<sup>55</sup>

Studies show that tuition and other fees and charges faced by publicly supported students, together with other costs of living can act as a significant barrier to participation and retention in VET. Respondents to the TAFE futures survey, particularly those in low wage jobs or high areas of dependence on social security, saw fees as a major deterrent to accessing TAFE.<sup>56</sup>

Another effect of limited government funding has been the substitution of private funding for courses where public funding does not reach. Indications are that within TAFE, fee-

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51. “State Labour Governments must stop jacking up TAFE fees” John Howard, Prime Minister, ‘Ministerial statement to Parliament, Skills for the future’, House of Representatives, *Debates*, 12 October 2006, [http://parlinfoweb.aph.gov.au/piweb/TranslateWIPILink.aspx?Folder=hansardr&Criteria=DOC\\_DATE:2006-10-12%3BSEQ\\_NUM:19%3B](http://parlinfoweb.aph.gov.au/piweb/TranslateWIPILink.aspx?Folder=hansardr&Criteria=DOC_DATE:2006-10-12%3BSEQ_NUM:19%3B), “Labor must make up its mind-first the Opposition leader says he wants to scrap fees, but his State Labor counterpart has just announced apprentices will be slugged more”, Gary Hardgrave (Minister for Vocational and Technical Education), *TAFE fees increase under Labor*, Media release, September 21, 2006, [http://parlinfoweb.aph.gov.au/piweb/TranslateWIPILink.aspx?Folder=pressrel&Criteria=CITATION\\_ID:Z32L6%3B](http://parlinfoweb.aph.gov.au/piweb/TranslateWIPILink.aspx?Folder=pressrel&Criteria=CITATION_ID:Z32L6%3B).
52. Peter Kell, *TAFE futures: an inquiry into the future of technical and further education in Australia*, AEU, 2006, p. 53.
53. Watson, op. cit.
54. Chapman, 2007, op. cit., p. 3.
55. Watson, op. cit., p.19 and p. 32.
56. Kell, op. cit., pp. 26, 53.

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*for-service* courses have been growing in number, particularly in situations where there has been a ‘rationing of hours across the system’ and demand for these courses exceeds the quota for government funded places.<sup>57</sup>

These pressure points suggest that as with existing funding arrangements, a key challenge for any new model of funding will be how to adequately support the publicly-funded VET sector by establishing an appropriate balance between public and private source funding.

## Main provisions

The provisions of the Bill are outlined in the Explanatory Memorandum and most are of a more mechanical nature. Only a brief overview of the structure of the Bill is presented here, with an emphasis on those provisions which are discussed in the background of the Digest.

**Items 1-16** propose amendments to the *Higher Education Support Act 2003* (the Act) to extend the Act’s operation to the VET sector. The majority of the amendments simply incorporate references to VET FEE-HELP or the VET sector. So, for instance, **item 1**, while not significantly modifying the objects of the Act (which are focussed on higher university education), would include a new object: to support ‘certain vocational education and training.’

Section 22-30 of the Act currently allows a Minister to suspend a body’s approval as a recognised educational provider. **Item 6** proposes a **new section 22-32** for the Act, which would apply across the board (i.e. it would apply to the entire higher education sector, not just VET). This section would allow the Minister to maintain a body’s approval as a higher education provider in so far as it is necessary to allow students then undertaking a course of study to complete that course of study.

**Item 7** repeals section 104-15 and substitutes it with a **new section 104-15** which redefines the FEE-HELP balance as the sum of all of the amounts of FEE-HELP assistance and VET FEE-HELP assistance that have previously been payable to the person.

Proposed Schedule 1A— VET FEE-HELP Assistance Scheme

**Item 17** is the central provision of the Bill and proposes an entirely new **Schedule 1A** which sets out all the provisions dealing with the VET FEE-HELP Assistance Scheme including parts on VET providers and VET FEE-HELP assistance.

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57. *ibid*, p. 26 and see also Watson, *op. cit.*, p. 21.

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There are three central Parts of the new Schedule, covering the definition and regulation of VET providers (**Part 1**), the VET FEE-HELP scheme (**Part 2**) and the administration governing both these (**Part 3**). **Part 4** is brief and deals with ‘miscellaneous’ matters – including giving the Minister a broad power to make Guidelines to administer the Act.

**Part 1, Division 3 clause 4** provides the meaning of VET provider: ‘A VET provider is a body corporate that is approved under this Division’. Comment on this provision has been included in the ‘Corporate requirements’ section of this Bills Digest. **Clauses 6-12** would outline the conditions for approval as a VET provider by the Minister. These include registration on the National Training Information Service (NTIS), the official national register of information on training packages, qualifications, courses, units of competency and Registered Training Organisations (RTOs); fulfilling VET tuition assurance requirements as set out in the VET Provider Guidelines; and capacity to meet the VET quality and accountability requirements.

**Part 1, Division 4** would provide for the VET quality and accountability requirements. These include financial viability, quality, fairness, compliance, fee and any other requirements for VET quality and accountability. **Clauses 14-16** specify the financial viability provisions that require that a VET provider be financially viable and have a likelihood of continuing financial viability, and provide a financial report annually to the Minister. **Clauses 18-23** specify the fairness provisions that include tuition assurance requirements, and grievance and decision review procedures. **Clauses 27-28** deal with fee requirements, including setting fees for units of study, providing the Minister with a schedule of the fees and publishing that schedule. A procedure for varying fees on the schedule is also specified.

**Part 1, Division 5** would provide the means by which the Minister may revoke the VET Provider status of RTOs, the administrative procedures that must be followed and the Division would also allow for appeal mechanisms. In a similar provision to that inserted by **item 6, clause 37** provides that, despite revoking a body’s approval as a VET Provider, the Minister can maintain its status quo for the purpose of allowing students who have not completed their training to do so.

**Part 2** proposes the structures and rules for VET FEE-HELP. **Division 7** would provide for student eligibility criteria. **Clause 43** provides the basic criteria, including enrolment in the course, having an adequate FEE-HELP ‘balance,’ meeting the ‘tax file number requirements’ and meeting the citizenship or residency requirements, as specified in **clause 43**. **Clause 43** sets these citizenship or residency requirements out and require a student to be an Australian citizen or to be a ‘permanent humanitarian visa holder who will be resident in Australia for the duration of the unit.’

**Part 2, Division 7** also deals with the re-crediting of a person’s FEE-HELP balance. **Divisions 8 and 9** deal with how amounts of VET FEE-HELP assistance are worked out and paid.

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**Part 3** deals with administrative issues. This includes payments by the Commonwealth (**Division 11**), requirement for VET Provider notices (**Division 12**), guidelines for electronic communications with students (**Division 13**), protection of personal information (**Division 14**), requirements relating to students' tax file numbers (**Division 15**) and processes for the review of decisions relating to the refusal to re-credit a persons' FEE-HELP balance (**Division 16**).

In this Part **clause 89** refers to a paragraph 43(1)(h), but it would seem that it should be referring to paragraph 43(h).

Finally the Bill contains **items 18-55** which propose to insert a new range of definitions into Schedule 1 of the Act itself, which contains a dictionary of definitions for key terms in use. These items are self explanatory.

## Conclusion

The broader context for the introduction of income contingent loans into the VET sector is the increasing demand for more, and more highly skilled, workers. This is occurring at a time when the VET sector has not had access to sufficient funds, either from government or private contributions, to allow for this demand to be met. Therefore as income contingent loans support the growth in private contributions, they are generally being well received by business, governments and the public and private education sectors. Also by targeting Diplomas and Advanced Diplomas the current anomaly that exists in student assistance available to those doing these courses in the higher education and VET sectors will be removed; and study for qualifications in a growth area of labour market demand will be further supported.

Although VET FEE-HELP is only being introduced into the *fee-for-service* VET sector, currently a small but growing area of VET activity, the public policy debate is likely to focus on what this might mean for the future of government funding levels and for the funding arrangements for publicly-supported VET courses, and the role of TAFE as a deliverer of social programmes.

The concerns are likely to be heightened by the government flagging its intention to align its funding model for VET with that of higher education, at the same time as it is introducing income contingent loans into the VET sector. As part of this strategy to restructure VET funding arrangements, TAFEs will need to operate as independent businesses, and therefore the government is requiring that to be eligible for VET FEE-HELP, VET providers need to be corporate bodies. The potential reach within the *fee-for-service* area of activity will be considerably constrained by this requirement as TAFEs are major VET providers, but in most states are not corporate bodies. Many TAFE students will therefore not have access to these loans. Equally significant however, is its potential impact on TAFE's competitiveness within the VET market. Many TAFEs, already trying, with limited funds to meet the demands of their social programmes as well as having to

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compete in the commercial market, would not immediately have access to this avenue of growth funding.

Furthermore, although a mechanism for supporting private contributions, income contingent loans for education services involve a government investment—\$221 million in loans over the first four years, administrative costs, default costs etc. What scope will there be for growth in public funding to stem the rise in student *fees and charges* for the publicly-funded courses and in particular, for the public service role of TAFE? How will more business-focused TAFEs balance their social responsibilities with competitive pressures to find private sources of growth funding? Although the Bill does not extend loans to publicly-funded courses, will such loans then be introduced in the future as part of the alignment process with higher education funding? In that sector where such loans support student contributions to publicly-funded places through HECS, student contributions have grown in recent years. There are also predictions that the proportion of full-fee paying students will grow, partly as a result of FEE-HELP and partly due to other factors such as a small growth in HECS liable places and a reduced differential between full-fees and HECS.

The ongoing challenge for governments as they review their funding arrangements will be how appropriate levels of government and private sources of finance might be determined, given the varied nature of VET and its considerable public service responsibilities.

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