

**Economics Legislation Committee**  
**ANSWERS TO QUESTIONS ON NOTICE**  
Industry Portfolio  
Budget Estimates Hearing 2014-15  
2-3 June 2014

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**AGENCY/DEPARTMENT:** DEPARTMENT OF INDUSTRY

**TOPIC:** Trade Support Loans Legislation

**REFERENCE:** Written Question – Senator Carr

**QUESTION No.:** B1-204

1. Is it the Government's policy that apprentices and school based apprentices under the age of 18 will be eligible for a Trade Support Loan?
2. If yes, what protections will the government put in place for children being offered, in effect, up to \$20,000 credit?
3. In the Trade Support Loans Bill 2014 the government proposes to pay apprentices via monthly instalments. What was the reason for this decision? Does the Government consider that this will make it harder for apprentices to purchase expensive equipment and not use the funds as an extension of their wages?
4. Can the Department provide updated information of the numbers of apprentices in each Federal electorate?
5. On 2 June 2014 in Estimates, the Government advised that it was looking to outsource Trade Loan Support debt. What has the Department done to date to progress this? Does the Government have a forward program to progress the outsourcing of Trade Support Loan debt?
6. Can the Government clarify whether a concessional rate of interest will be charged on the loans or whether the loans will be indexed?
7. Given the current discussion about recouping HELP debts, will the Department pursue collection of Trade Support Loans from overseas based apprentice graduates or deceased estates?
8. The introduction of legislation for the Trade Support Loans was listed in the Draft Daily Program on Thursday, 29 May 2014 and then subsequently not introduced, what was the reason for withdrawing the legislation on 29 May 2014? Were any changes made between Thursday and the tabling of the legislation? If so, what were they?
9. Has the government done any assessment of the impact of apprentice loans particularly for younger apprentices on their ability to access credit for car or home loans?
10. Following the Minister's recent comments about apprentices using the Tools for Your Trade (axed in this year's budget) for 'tattoos and mag wheels', will there be an approved list of items that apprentices are allowed to buy with the loan? What will the approvals process be?
11. What evidence does the government have regarding the use of Tools for Your Trade funds being used on 'tattoos and mag wheels'? How many occurrences? How many Tools for Your Trade grants were given out last year and how many reports were there that these were used for tattoos and mag wheels?
12. Will there be any protections for apprentices who may be pressured by their employer to take out the loan to purchase tools or a vehicle to undertake their work? Under the Tools for Your Trade program an employee may have purchased these items with the grant, whereas now they will need to undertake a debt. Has any consideration been given to supporting apprentices and their employers negotiating these issues, especially as the Apprentice Mentoring Program has been abolished?
13. Are there any current legally binding contracts between current apprentices, employers and the federal under the Tools for Your Trade program?

14. Take the case of an apprentice who generates a debt during their apprenticeship through Trade Support Loans and then goes on to study at university where they access FEE HELP, generating additional debt.
  - a) Would that person be required to pay both debts simultaneously or will the debts be bundled?
  - b) If the debts are bundled will all of the debt attract the FEE HELP interest rate or will the debt incurred through the Trade Support Loan still be “interest free”?

## ANSWER

1. Yes.
2. Australian Apprenticeships Centres will be tasked with undertaking due diligence with all Australian Apprentices who take out a Trade Support Loan to ensure the apprentice is completely aware of the obligations and implications of taking out an income contingent loan. Additional due diligence and information on the responsibilities associated with taking out the loans will be provided to those under 18 and their parent/guardian.

An amendment to the legislation moved by the Opposition during the debate in the Parliament legislates acknowledgement by the parent or guardian of minor apprentice of the commitment being undertaken by the minor in taking on a Trade Support Loan. The acknowledgement relates to the requirements and conditions of the loan and the need for its repayment by the apprentice once they reach the minimum threshold. Specific information provided in the parent/guardian fact sheet, the under 18 fact sheet and the relevant sections of the application and opt in forms underpin the loan application process for minors, supported by acknowledgement by the parent or guardian.

Protections exist within income contingent loans with the need for repayment delayed until the individual has reached the minimum repayment income.

3. Apprentices will be able to opt-in for a Trade Support Loan in line with the year of their apprenticeship, and have the flexibility to opt-out whenever they wish if their needs change. For instance, a second year apprentice can opt to receive the loan for the first time and will be eligible for the second, third and fourth year payments if they wish to receive them.

Monthly payments with a 6 monthly opt in period will allow apprentices to carefully consider their personal situation at regular intervals. This payment structure gives apprentices the flexibility of receiving regular payments if they need them or save the monthly payments to purchase a larger item.

4. The number of Australian Apprentices in-training by electorate as at 16 June 2014 is at Attachment A.
5. The department will analyse the potential benefits of the private sector making Trade Support Loans payments from 2015-16.

This analysis would inform any future decisions by the Government.

6. The loans will be subject to indexation by the Consumer Price Index.
7. The legislation does not allow the collection from people living overseas or deceased estates.
8. The matter of programming legislation is one for the Government. No changes were made prior to the tabling of the legislation.

9. Financial institutions determine their own criteria for lending under the range of products they offer depending on a range of circumstances.
10. No.
11. In 2012-13, 236,600 Tools For Your Trade payments were made to 192,666 Australian Apprentices. Under Tools for Your Trade payments there were no repercussions for poor use of payments. With Trade Support Loans, apprentices can still make personal choices relating to expenditure, but with the knowledge that the loan must be repaid once the minimum threshold is reached.

Information about what apprentices use their Tools For Your Trade payments for is not collected. Informal feedback from some Australian Apprenticeships Centres and some employers suggests that Tools For Your Trade payments were not always being used for the intended purpose. And, as use of the payments was not prescribed, they were not always being used to pay for purposes aligned with the apprenticeship training or work. Sarina Russo, an organisation contracted to the Australian Government as an Australian Apprenticeships Centre, noted in their submission to the Inquiry into the Trade Support Loans Bill 2014 that “In our experience some apprentices did not use their \$5,500 Tools For Your Trade funding to buy tools”.

12. Australian Apprenticeships Centres will be tasked with undertaking due diligence with all Australian Apprentices who take out a Trade Support Loan to ensure they are aware of the obligations and implications of taking out an income contingent loan. Australian Apprenticeships Centres will also advise employers about the implications of the loan, including that the loan is to be used at the apprentice’s sole discretion.

The department undertakes regular monitoring of delivery of Australian Apprenticeships support services through Australian Apprenticeships Centres. Any reports that arise from this will be investigated.

Additionally, Australia’s workplace relations system includes protection for employees from adverse action, coercion, undue influence or pressure, and misrepresentation.

13. No. Tools For Your Trade payments were not governed by a contract.
14. Trade Support Loans will not be required to be repaid simultaneously with HELP loans. Where an apprentice accesses Trade Support Loans and then subsequently accesses FEE-HELP, repayment of the Trade Support Loan debt will be delayed until the FEE-HELP debt is completely repaid.

Trade Support Loans will be subject to indexation in line with the Consumer Price Index.

**Attachment A**

<b>Electorate</b>	<b>Total In-training</b>
Adelaide	5,615
Aston	2,486
Ballarat	3,109
Banks	1,902
Barker	4,537
Barton	1,601
Bass	1,970
Batman	1,592
Bendigo	2,796
Bennelong	2,045
Berowra	1,738
Blair	2,030
Blaxland	2,929
Bonner	2,757
Boothby	1,552
Bowman	1,733
Braddon	2,424
Bradfield	1,151
Brand	1,964
Brisbane	5,272
Bruce	3,772
Calare	3,182
Calwell	4,565
Canberra	3,569
Canning	2,061
Capricornia	3,495
Casey	2,629
Charlton	2,224
Chifley	3,452
Chisholm	2,463
Cook	2,294
Corangamite	2,361
Corio	3,524
Cowan	2,956
Cowper	2,316
Cunningham	2,704
Curtin	1,870
Dawson	3,909
Deakin	1,833
Denison	2,578
Dickson	1,777
Dobell	2,323
Dunkley	2,123
Durack	6,604
Eden-Monaro	2,775
Fadden	2,369
Fairfax	2,078
Farrer	2,948
Fisher	1,546
Flinders	3,539
Flynn	3,993
Forde	3,743

Forrest	2,802
Fowler	1,218
Franklin	1,350
Fraser	3,179
Fremantle	3,143
Gellibrand	3,796
Gilmore	2,117
Gippsland	2,760
Goldstein	1,110
Gorton	1,889
Grayndler	1,897
Greenway	2,727
Grey	3,295
Griffith	2,951
Groom	3,769
Hasluck	3,071
Herbert	2,929
Higgins	1,238
Hindmarsh	2,415
Hinkler	1,725
Holt	2,217
Hotham	2,409
Hughes	2,067
Hume	2,514
Hunter	4,059
Indi	4,133
Isaacs	2,999
Jagajaga	1,449
Kennedy	3,098
Kingsford Smith	3,211
Kingston	1,660
Kooyong	1,753
La Trobe	1,690
Lalor	3,812
Leichhardt	3,033
Lilley	3,361
Lindsay	2,981
Lingiari	1,691
Longman	1,574
Lyne	2,192
Lyons	1,037
Macarthur	2,733
Mackellar	2,165
Macquarie	2,015
Makin	1,601
Mallee	2,931
Maranoa	3,923
Maribyrnong	2,106
Mayo	1,272
McEwen	2,702
McMahon	3,559
McMillan	2,767
McPherson	2,339
Melbourne	7,157
Melbourne Ports	4,311

Menzies	1,295
Mitchell	2,665
Moncrieff	2,823
Moore	1,329
Moreton	3,492
Murray	3,055
New England	2,849
Newcastle	4,412
North Sydney	2,712
O'Connor	3,344
Oxley	3,260
Page	2,116
Parkes	3,705
Parramatta	4,790
Paterson	1,823
Pearce	2,044
Perth	3,124
Petrie	1,395
Port Adelaide	4,695
Rankin	2,977
Reid	3,269
Richmond	1,811
Riverina	4,501

Robertson	2,035
Ryan	1,270
Scullin	1,923
Shortland	1,881
Solomon	1,966
Stirling	2,492
Sturt	1,330
Swan	5,184
Sydney	6,266
Tangney	2,390
Throsby	2,123
Wakefield	2,314
Wannon	3,077
Warringah	1,612
Watson	2,171
Wentworth	1,724
Werriwa	2,622
Wide Bay	2,347
Wills	1,628
Wright	1,701
Unallocated	2,643
<b>Total</b>	<b>406,865</b>