

Submission to Joint Committee of Public Accounts and Audit - Student Loans

Commonwealth Performance Framework—Inquiry based on Auditor-General's reports 31
(2015-16)

Evolving the Student Loans System

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White Label Personal Clouds researches the application of Complex Adaptive Systems technology to solve challenging real-world problems. One such problem is the provision of loans for education. With Complex Adaptive Systems technology communities can set conflicting objectives and establish an IT process that iterates to a near optimal solution. Providing education loans has conflicting goals for government. Government wants to reduce the cost to taxpayers of tertiary education while wanting to increase knowledge and education within the population.

The Government can trial new approaches to Student Loans for low cost using these new IT technologies. For example, instead of thinking of Student Loans as a debt to individuals we can think of some Student Loans as an investment in human resources. If a company invests in human resources with education programs, the cost of the programs is a tax deduction. If a person invests in their own training with a loan, the cost is not a tax deduction.

It makes economic sense for the cost of some tertiary education paid for by individuals to have the same tax treatment. The cost of an education loan could be a tax deduction and one way to do this is to treat the payment of regular employment taxes by an individual as a loan repayment. As a trial Companies could invest in the education of people through a loan if some or all of the tax payments of the person were used to repay the Company Loan as a tax rebate.

Student loans repaid this way would be repaid quickly and there would be few defaults. If successful the government could extend the approach with Government Scholarship Loans, Parent Loans and perhaps to the whole HELP loans system.

Trialling this approach would not require any changes to existing systems. But, the infrastructure in existing systems would be available to the new loans so the operating cost and development costs would be low and could be paid from loan transaction fees. In other words, a Company education loans system could be introduced for little cost to the government.

If we think of the government and the community as a single system this approach to funding education will reduce the cost to the economy as there is no cost of interest on loans, the administration of the system will be low and there will be more focus on the value of education by both the lender and the borrower.