



VET Student Loans Bill 2016 – Response to Senate Inquiry – Submitted 19 October 2016

About AIE

The Academy of Interactive Entertainment Limited (AIE) is a not for profit specialist video games and film visual effects educator established by industry, for industry, with alumni working in video game studios and organisations around the world. We have operated with great success since 1996 and this year marks our 20th year of successful operation.

AIE is a multi-award winning RTO, currently one of three shortlisted finalists for the upcoming Australian Training Awards, the peak national awards for the vocational education and training sector.

AIE globally pioneered the development of specialist games courses which are practical, career focused and delivered by industry experienced teachers. Students are taught by highly respected, industry experienced practitioners and train in simulated studio environments with access to collaborative work spaces and industry standard hardware and software to ensure that graduates are job ready.

They are employed in game studios across Australia and overseas as well as the many industry sectors that also employ games technologies and developers including; cyber security, defence, virtual reality, serious games, health, simulation and training.

The career progression pathway at AIE is unique and career focused. An AIE student's pathway can start as early as 7 to 12 years of age in one of AIE's STEM related holiday courses. Students can then study at certificate level whilst at high school, through AIE's VET in Schools program, to strengthen their Foundation skills prior to entering one of AIE's Advanced Diploma courses. Post Graduate students can choose to enter into the AIE's Graduate Diploma of Management (Learning) where they learn the vital skills to start their own business/studio. AIE provides assistance to start-up studios through an AIE Incubator program, grants and free access to specially built facilities in the ACT, NSW and Victoria. Over 60 start-ups have been created in the last 4 years. We have high completion and employment rates and have been acknowledged by ASQA to be a low risk, high quality VET provider.

More information on AIE can be viewed at www.aie.edu.au.

Attachment A, appended to this response contains a summary of our alumni industry placements and games/film projects to enable you to gain a deeper understanding of our niche industry.

Executive Summary

Though fiercely supportive of the need for reform to ensure the integrity of our much maligned Vocational Education sector, we have grave concerns about several aspects of the legislation package, in particular the hurried approach which has resulted in the inability of educators and their counterpart industry stakeholders to provide essential comments regarding the long term social, economic and industry impacts of the legislation, if passed in its current form. The proposed VET Student Loans system does not provide equal opportunity for all students and discriminates against VET students. It will create a two tier education funding structure:

- Higher Education which is fully funded through FEE-HELP and Commonwealth subsidies; and
- VET Student Loans with loan caps.

The proposed loan caps do not reflect the cost to deliver quality VET education, particularly for high volume learning, technology intensive and innovative Advanced Diploma courses that run over 2 years.



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National Registration Code 88021
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ABN 51 084 159 437



Sydney Campus
02 8514 8800
sydney@aie.edu.au
PO Box 1077,
Broadway NSW 2007

Canberra Campus
02 6162 5131
canberra@aie.edu.au
PO Box 7131,
Watson ACT 2602

Adelaide Campus
08 7325 6300
adelaide@aie.edu.au
Level 3, 32 Grenfell St
Adelaide SA 5000

Online Campus
02 6162 5139
online@aie.edu.au
PO Box 7131,
Watson ACT 2602

Melbourne Campus
03 9620 7111
melbourne@aie.edu.au
Atrium Level, Tower 4
World Trade Centre,
18-38 Siddaley Street,
Melbourne VIC 3005

AIE recommends that Funding caps are removed and an Approved Provider list should be created with the Minister having the power to add, temporarily ask to show cause, and ultimately remove providers from this list. This will ensure that only quality providers with a good past and current track record of strong completion rates and employment rates are allowed to provide training. Students should be allowed to study VET courses at approved colleges without any form of student loan caps, as other students are currently able to do through FEE HELP in Higher Education. To ensure that the cost of these courses are not hyper inflated, Approved Providers should be able to demonstrate why the cost is at a specific level.

If the government persists in passing the legislation despite its obvious flaws, the following two highly reasonable recommendations should be seriously considered:

1. The legislation is deferred until:

- A full and effective consultation period can be completed
- A new loan scheme introduction is supported by adequate infrastructure and resources
- The needs of disadvantaged students can be more adequately accommodated
- A new scheme can be introduced with sufficient notice to facilitate an effective transition that has minimal disruption to the student's decision making timeline and the banking industry is able to respond by creating a new VET personal loan product to fund the gap between what a course costs and what the government is prepared to lend through the proposed VET Student Loan scheme. And that;
- Quality VET providers are not negatively affected by the Moral Panic created by sensationalised media that all VET operators are shonky.

2. Not for profit providers delivering in specialist and important community, industry and enterprise areas be exempted from proposed qualification caps.

The comprehensiveness of this response has been limited due to the short time-frame available for comment.

Recommendations

Removal of funding caps

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.

Advanced Diploma programs have the highest volume of learning in the VET system of between 18 months to 2 years full-time study. AIE's Advanced Diploma has over 1600 hours of face-to-face learning. Our Industry advisors have indicated that this is the minimum volume of learning that our students need to be ready for entry-level employment.

Funding caps will limit the ability of an RTO to provide resources, facilities and quality staff that push the cost of delivery of a particular course over the capped amount. AIE's Advanced Diploma costs approximately \$38,000 to deliver over 2 years or \$19,000 per year. This cost has increased substantially due to the increased compliance requirements and increased annual costs in specialist teaching staff, facilities and administration. Primary school students cost Australia about \$20,000 per year, as do university students – so why set the caps so low if the quality of training is supposed to ensure that graduates have industry ready skills and are ready to contribute to building the Australian economy?



Sydney Campus
02 8514 8800
sydney@aie.edu.au
PO Box 1077,
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Escalating course costs can be effectively managed by imposing an allowable nominal annual increase such as 5%, or CPI if it is greater than 5%. There should be provisions for a provider to increase their course fees beyond the nominal amount should a strong case be made to the Minister showing cause for the increase.

Student choice is an important equity indicator. All Australian students have access to a \$99,000 lifetime loan for their education under the HELP scheme, of which VET-FEE HELP is currently part of. VET students should be able to choose to spend this allocation as they see fit, to follow their dreams and their preferred career choice without such discrimination. The caps for specific courses and not for others removes the ability for a student to choose what career they want, if they are unable to afford the gap between the cap and the course fee. It is far better that the market dictate courses that are responsive to industry demand and innovation, as this will enable the Australian economy to react quickly to emerging markets and opportunities.

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.

Why use the moral panic created over shonky operators ripping off the system to force upon unsuspecting Australians, a two-tier education system? This proposed cap model is not a fix, its adding fuel to the fire and many good people and good operators will be irrevocably hurt. The AIE expects better, our students expect better and their parents expected better.

For the last 20 years we have created thousands of jobs. Our graduates find work in a globally competitive creative industry, and if their skills are not on par with other graduates from other nations, they simply will not be able to obtain their first job and build their careers.

Deferment of legislation for 12 months

The legislation needs to be deferred for a minimum of 12 months in order to:

a. Allow for the relevant administrative infrastructure to be established in RTOs, the banking industry, and government to cope with the demands of a new scheme.

In the Redesigning VET-FEE HELP Discussion Paper, released in April, it was noted that:
"The Government is conscious that effective implementation will require a reasonable amount of time for both regulators and providers, and this will be taken into account when timing specific changes."

The earliest that these bills can become law is mid-November. That will leave less than six weeks for the Department to establish a process, articulate clear provider eligibility criteria and facilitate approval of provisional providers in time for the new VET Student Loans scheme to commence. This does not even take into account the administrative processes that RTOs will then have to manage in order to provide clear information to students to enable enrolments. Apart from a few dot points in a fact sheet, we have not received or found any clear information on what the exact provider eligibility criteria will be.

There is little time for alternative funding arrangements to be made for students enrolling in courses starting in 2017. There are no details available for the banking industry to provide VET loan packages, to help fund the gap between what the government new VET Student Loan scheme will pay for, and what the cost of a particular course is. In addition, families and students who have applied for their chosen courses are now in a position where they have not been able to budget for funding the course fees on their own, as they were anticipating being able to access VET-FEE HELP.



Sydney Campus
02 8514 8800
sydney@aie.edu.au
PO Box 1077,
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02 6162 5131
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Watson ACT 2602

Adelaide Campus
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A rushed implementation of this new scheme will result in many quality VET providers that are unable to implement new student loan structures with banks being in the position where courses are cancelled even if they are on the approved list. It is likely that these RTOs will have to close and/or make teachers and administrative staff redundant. It also causes a potential liability for the government, similarly to what has happened in the live export cattle industry bans, as class-action lawsuits seek compensation for losses incurred by VET providers. It would be far better to spend this money in regulation and removing the shonky RTOs. A considered and time sensitive roll-out of the new scheme will prevent this.

Delaying the legislation will provide time for the banking sector, parents and students to be fully appreciative of the new loan scheme and develop new loan packages and measures so that some students can continue to enrol in courses they freely choose. There will still be many students who simply can no longer afford their education of choice.

It is widely accepted by all parties that the key failure of the VET-FEE HELP system was the lack of effective monitoring and regulatory oversight. In order to assure stakeholders that this will not occur again, the Department needs to ensure that a number of key monitoring and administrative processes are in place to protect students prior to the commencement of the scheme. Yet there is no detail in the legislation regarding the resources and processes to make this happen.

One essential process is the appointment of a VET Ombudsman to protect and advocate for students who access these loans, and the associated public awareness campaigns that are associated with this. The amount of administrative work required to effectively establish this important office is simply not possible prior to 1 January 2017, and without this in place, the entire system should be delayed. Additionally, there is no legislative detail on the exact responsibilities of, and relationship between, ASQA, the Secretary and the Ombudsman or where the additional resources to manage and monitor the introduction of a new system will come from.

The speed and associated lack of consultation through which these bills have been produced are utterly incongruent with program integrity and sector confidence. It is now just over two months until the program commences, and this does not leave enough time for the Department to establish a robust system for approving even provisional providers and certainly does not allow for any provisional providers to have courses and enrolment processes ready for 1 January.

At no stage has any clear direction been given from the Department on the exact criteria that providers will be required to address in order to become "provisional providers". This does not allow for business certainty and definitely does not promote confidence or integrity in the regulated VET market. Without these criteria being specified in the legislation, it is impossible for any provider to reassure students that it will be eligible under the scheme throughout 2017. The only current honest answer we can give is "we don't know"!

RTOs have already invested significant CAPEX, leased new buildings, purchased new equipment, hired human resources, created new course content and spent considerable sums towards promoting and marketing their courses to prospective students for 2017 based on the eligibility requirements of the existing VET- FEE HELP scheme.

In light of the proposed changes, RTOs are unable to provide clear information to students regarding course fees and loan arrangements – in contravention of the Standards for RTOs 2015. The rushed legislative process means that students are simply unable to gain reliable information to enable informed decision making.

It is inherently unfair to prospective VET students, especially those currently completing their Year 12 examinations and/or from disadvantaged backgrounds, that they are faced with anxiety and uncertainty regarding their study options for 2017.



Sydney Campus
02 8514 8800
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PO Box 1077,
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One of the of the key principles for the redesign of VET loans states

“The scheme is student centred through adequate protection for students (particularly from disadvantaged backgrounds) and access to information that enables informed decision making”.

The legislation and timeline does not do this. Indeed it is likely to create a two tier education funding model which disadvantages VET students from lower socio economic groups. The swift timeframe does not give RTOs an opportunity to set up alternative loan arrangements for students to have access to courses. Not only does this completely undermine the right to education, but it directly contravenes the second key principles of the redesign of this scheme:

“The scheme removes financial barriers to training and improves equity of access to higher level VET.”

We do not envisage that the Department and/or ASQA will have the necessary systems in place to facilitate and regulate this new scheme by 1 January 2017.

The effect on RTOs in terms of administrative processes and enrolment patterns has also been largely overlooked in this accelerated implementation timeframe. The speed at which this new scheme will be rolled out will place a massive administrative burden on RTOs to liaise with students, issue tuition fee notices, develop compliant enrolment processes and facilitate AVETMISS-compliant data input into systems.

The result will be more confusion and uncertainty which will drive students away from all important Diploma and Advanced Diploma courses which supply the para professional base of the Australian economy. Industries affected by this eventuality have simply not been given enough time to consider and respond to the implications of this legislation.

In Appendix 3 of the Discussion Paper, the government listed the key principles and objectives for redesign of this scheme. One of these key principles was:

“The scheme has programme integrity, manages risk and promotes confidence in the regulated VET market.”

Until such time as the Department is able to clearly articulate and communicate the specific criteria relating to the scheme, it is completely inequitable that high quality, non-profit providers delivering industry-specific training, and their students, are left uncertain about areas such as provider eligibility criteria and application fees. While these may seem like trivial matters considering the consensus on the need for reform in this area, the ripple effect that this will have on vocational education jobs, graduate outcomes and quality learning has not been quantified and poses a considerable threat to a strong, robust and responsive VET sector. The question that has to be asked is:

Where are the social and economic impact studies on the impacts of the legislation?

This question needs to be asked in reference to industries that employ graduates, to future students, to the VET workforce, and more broadly to the Australian economy.

And sufficient time needs to be allowed to gain clear answers.

b. Allow for an effective consultation period to take place with all key stakeholders.

The consultation process for this has been rushed and poorly timed considering the breadth of the changes being proposed. Again, we want to reiterate that we are fiercely supportive of reforms to VET student loans that will improve the integrity of the sector and allow for a robust, high-quality vocational education sector. It is the unworkable timeframe that will create sustained disruption to the work of quality training providers.

A change like this requires careful consultation with RTOs and tertiary education funding experts to determine a system that is equitable, fair and provides certainty to students. After



Sydney Campus

02 8514 8800
sydney@aie.edu.au
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the Discussion Paper in April, there has been absolutely no public consultation from the Minister or the Department regarding any specific scheme proposals. There were several key opportunities – including the ACPET National Conference in July and the VELG National VET Conference in September – to announce proposals and allow for a public consultation period, yet this was not forthcoming. Instead the policy announcement through media release came in trickles, with short consultation periods including only two weeks to comment on the course list and two days to make a submission regarding the legislation itself.

Despite this unrealistically short timeframe, in the last week we have received over 30 letters of support sent care of AIE and addressed to the Minister for Education and Training which we will provide to support our application to the Minister for a cap exemption on our courses prior to the 23 October deadline. These letters come from AIE alumni and key industry stakeholders including Animal Logic, Rising Sun Pictures, ACT Screen Industry Association, Wicked Witch Software, and Wargaming.net to name but a few. These letters highlight the shortfalls of the proposed legislation and provide their unequivocal support to AIE as a quality provider of graduates for creative digital industries.

Due to the incredibly short time frame for feedback, we have been unable to gain some important sponsored responses from relevant organisations and government agencies, such as the Department of Defence, Interactive Games & Entertainment Association (IGEA), Defence Science and Technology Organisation, Australian War Memorial and the Australian Defence Force Academy, all of which benefit and will continue to benefit from the employment of AIE alumni. This is due to necessary administrative processes, which means that despite having the matter referred up, there has been insufficient time to give an appropriate response. A more appropriate consultation period on the specifics of the *VET Student Loan* scheme would allow a more cogent case to be built regarding potential flaws within the scheme.

The consultation process for the specific policy and regulatory frameworks and the associated impacts has been affected by the lack of an open, transparent processes. Feedback from RTOs and media commentary from education funding experts will reveal the need to ensure that this new *VET Student Loans* scheme needs to be properly implemented to avoid the same problems that occurred under VET-FEE HELP.

Based on these considerations, we recommend that the scheme be delayed for a period of twelve months to allow further consultation and facilitate the establishment and communication of robust monitoring and regulatory procedures within the Department, and loan packages by the banking industry.

Provision for exempting not-for-profit providers

The legislation needs to make provision for exempting not-for-profit providers with outstanding records of success in a given field.

There needs to be provision in the legislation to exempt not-for-profit providers with a successful history of delivering skills to meet vital industry, community or enterprise needs. Such providers should be exempt from the normal regulatory process with caps on fees subject to negotiation both through the provider and industry that seeks to benefit from the skills being taught.

By its very nature and reason for its existence a not-for-profit training provider does not create profits for its owners, all monies earned or donated being used to further its objectives while covering its running costs. In the case of AIE, our mission is to deliver courses that are strongly focused on engaging students and equipping them for future employment in the creative digital industries. In other cases, not for profits deliver specific niche courses in health, charity related skills and emerging 'future skills' areas.

Our Industry stakeholders demand creative talent that can be quickly employed on creative and income generating projects. This requirement comes at a high cost as students have to have access to



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and the ability to use specialist industry equipment and facilities, the costs of which are included in the course fees.

Some of our graduates are provided assistance through our graduate courses and business incubator programs which have seen over 60 start-ups created in the ACT, Victoria and NSW in the last four years.

The legislation does mention exemptions at the discretion of the Minister.

However, the claiming of exempt status as proposed above may not be allowable under the administrative arrangements as there has been very little detail provided with respect to the procedure and grounds for granting exemptions and how they will be applied.

In the event that exempt status is not granted then a review needs to be conducted on ways and means of funding the fee gap. Typically, students interested in jobs in the creative digital industry are often less interested in degree courses but want to be able to practically exercise their creative artistic talents; talents that lend themselves to courses covered by VET FEE Student Loans. These students are often from lower socio-economic and disadvantaged groups but, as noted above, the legislation does little to specify how these groups are going to be able to access courses that are relevant to their capacity and needs.

Based on these considerations we recommend that not for profit providers with a strong record of success in key skills area be exempted from the proposed qualification caps.

Sincerely,

John De Margheriti, EMBA (University of Sydney)
Chairman and CEO

- Founder of the Game Developers' Association of Australia (GDAA)
- Founder of BigWorld Pty Ltd, inventors of the world's leading massively multiplayer online game (MMOG) technology platform.
- Founder of Micro Forté Pty Ltd, one of the world's oldest video game development studios
- Co-Founder of Dreamgate Studios, a start-up mobile game apps developer
- Co-Founder of The Film Distillery, a Canberra based film production and film financing firm
- Founder Canberra Technology Park, a non-profit 7,500 M² facility for start-ups and small enterprises
- Founder of Game Plus, a creative industries co-working space
- Founder of AIE Incubator, a non-profit grants based graduate program for AIE graduates
- Winner of the CSIRO Benson Entrepreneur of the Year Award (2014)
- Honorary Ambassador for Canberra



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Attachment A

AIE alumni industry placements and games/film projects

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GAME PROJECTS	FILM PROJECTS	STUDIOS
Borderlands: Pre-Sequel	Mad Max: Fury Road	Industrial Light & Magic
L.A. Noire	Avatar	Epic Games
Dead Space	300	Australian Defence Forces
Dragon Age	Terminator: Salvation	Konami
Dragon Age: Inquisition	Harry Potter	Animal Logic
Jetpack Joyride	Happy Feet	Ubisoft
Fruit Ninja	Lord of the Rings	Visceral Games
Bioshock 1 & 2	The Hobbit	BioWare
Bioshock: Infinite	Iron Man	Weta Digital
Grand Theft Auto	X-Men	BigWorld
World of Tanks	The Wolverine	Hare Brained Schemes
Fallout Tactics:	The Avengers	Sony Computer Entert
Brotherhood of Steel	Man of Steel	Flat Earth Games
Shadowrun Returns	The Hunger Games	Jim Henson Creature Shop
Tribes: Vengeance	Enchanted	LucasArts
Guitar Hero	The Great Gatsby	EIDOS
de Blob	Divergent	Dreamworks
Brink	The Lego Movie	Splash Damage
Ski Safari	Guardians of the Galaxy	Rockstar Games
Puzzle Quest	Happy Feet 2	NINJA THEORY
Neopets	Gravity	Autodesk
Battlefield	Cloudy With a Chance of	EA Games
The Legend of Spyro	Meatballs 2	Halfbrick
Call of Duty	Sponge Bob Square Pants	Big Ant
Batman: Arkham Origins	Captain America	Riot Games
Flick Kick Football	Planet of the Apes	Wargaming
	Walking with Dinosaurs	
	Insurgent	



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