



12 September 2024

LETTER TO BE USED AS PART OF THE INQUIRY AND SUBMISSION BY THE EDUCATION AND EMPLOYMENT LEGISLATION COMMITTEE INTO THE EDUCATION SERVICES FOR OVERSEAS STUDENTS AMENDMENT (QUALITY AND INTEGRITY) BILL 2024

RE: CAPPING INTERNATIONAL STUDENT NUMBERS FOR 2025 AND THE TERMINAL IMPACT ON THE SUSTAINABILITY OF FTA

As previously mentioned, communication received by FTA from DEWR on Friday 6 September 2024 provided formal notification that pending the passing of the ESOS Bill, FTA's international student number cap for 2025 would be limited to 115 students. Although probably an unintended consequence of the proposed Bill, the implementation of this limitation in international student numbers, will drive the student numbers of FTA and flight training organisations like FTA, to below the international student numbers it had in house during the Covid pandemic, a time during which, if FTA did not enact a significant redundancy plan (40% in total) and emptied its war chest to retain critical staff and a capability, it would not have survived 2 consecutive years of significant losses. The current proposal by the Federal government will create a more precarious and treacherous commercial environment for FTA, given there is no longer a war chest (nor Covid relief mechanisms), and this will have a guaranteed terminal outcome for a proud Australian and South Australian company.

Background

FTA was established in 1982 at Parafield Airport, South Australia, with its primary focus on providing flight training to sponsored international airline students from all regions across the world. Since its inception, it has trained close to 9000 pilots for airlines abroad and domestic. FTA is a company that has become a global brand for airline flight training, is a 5-time winner of the South Australian Export Awards for Education and Training and a National winner in the same category, while both its campuses have been awarded the prestigious Honorary Company of Air Pilots Grand Masters Award.

FTA's safety record, customer focus and VET qualification completion rates of more than 90%, currently has FTA as the provider of choice for eight international airline customers that include Cathay Pacific, IndiGo, China Airlines, Starlux, J-Air, Skymark, Air Niugini, Hong Kong Government Flying Service plus Sojo University and UniSA. This record of success has also led to FTA being chosen as the provider of choice for the Qantas Group Pilot Academy in Toowoomba in 2020 as part of a 20-year contract. As an approved RTO, VSL and CRICOS training provider, FTA has an enviable record of compliance within industry and is often referred to as the gold standard in flight training in Australia.

All of FTA's international students are selected by their respective airlines and are sponsored by the airline to attend a flight training course with FTA for approximately 12-month in length. Upon completion of their training, return to their respective countries to operate as flight crew in their sponsoring airline. The turnkey training solution provided by FTA is a highly valued and time-tested export product sought after by international airlines from all over the world.

National Planning Level Cap (NPL)

In 2019, the year prior to the pandemic, FTA had 329 international students that meet the definition in the DEWR letter of a '*new international student commencements*'.

The NPL cap imposed on FTA is an allocated 115 international student commencements for 2025, which is an alarming 65% reduction to FTA's pre-pandemic numbers and 61% less than FTA's contractual commitments for FY24/25 and FY25/26. This cap allocation has been notified without any direct consultation with FTA, nor consideration to the nature and efficacy of our business, and with barely a 3-month window before potential implementation, putting FTA in an extremely perilous financial and legal position with our longstanding customers. As previously mentioned, this cap will be terminal for FTA as a training group resulting in hundreds of job losses and the ultimate liquidation of FTA as a company.

FTA understands that there is a requirement to exercise greater control over those less than reputable providers in industry, however, we believe imposing an untested cap is like taking a sledgehammer to a sparrow egg. Unfortunately, this was done without appropriate industry consultation and a targeted risk assessment, of which both would have contributed to an appropriate process of determining caps for providers, if any, for those with a history of doing the right thing.

The current approach has now imposed an unrecoverable risk on many flight training providers, that will drive reputable providers like FTA into liquidation over the next 12 months. FTA desperately requests reconsideration of its current proposed cap. In order to justify this request, we have taken the liberty of using the outline of the BBC article by Tiffany Turnbull on 27 August which captures an interview with the Federal Minister of Education, Jason Clare on what the reasons are for the proposed caps and how FTA already has all the mitigation processes and strategies in place to address the reasons why the cap is being introduced.

'Education Minister Jason Clare acknowledged that higher education was hard-hit during the pandemic, when Australia sent foreign students home and introduced strict border controls.'

What this statement does not address is that aviation training providers like FTA were even harder hit, given that domestic flight training effectively dried up, as the airline industry in Australia went onto life support and this problem was further exasperated with departing international students with none returning for 2 years due to stringent border control measures. The hang over of this period sees FTA still recovering nearly 2.5 years after the pandemic, trying to break-even and attempting to return to its pre-pandemic international student training numbers and ensure ongoing sustainability.

'He also noted, however, that the number of international students at universities is now 10% higher than before Covid-19, while the number at private vocational and training providers is up 50%'

This statement is an unvalidated generalised statement and with no factual foundation at the granular level. It does not consider the aviation training providers who have significant capital investment in equipment, resources and staff and do highly specialised, regulated and contained training.

In 2023, the year used for the calculating FTA's cap as part of the NPL, FTA only had 54% of its pre-pandemic level of new international student commencements. I can only speak for FTA as part of the aviation training sector, but there has been no increase of 50% beyond pre-pandemic levels as quoted by the Minister and on the contrary in FTA's case, there has been a reduction of nearly 50% below our pre-pandemic levels in 2023.

"Students are back but so are the shonks - people are seeking to exploit this industry to make a quick buck," Mr Clare said."

As previously stated, by all means get rid of the "shonks", but be measured and specific in the application of the caps and target those not doing the right thing, as opposed to applying a broadbrush approach that could see reputable companies like FTA who is doing the right thing, become part of the post-pandemic statistics.

The government has previously accused some providers of "unethical" behaviour - including accepting students who don't have the language skills to succeed, offering a poor standard of education or training, and enrolling people who intend to work instead of study.

To this statement FTA offers the following:

- If there are unethical providers in the VET sector, why not shut them down as opposed to compromising the entire sector with reduced numbers that threaten the sustainability of those very businesses that have put Australia on the export map for education. It is disheartening to know that an entire sector is going to be paralysed, while the "shonks" continue to trade in the education and training sector.
- The comment about accepting students without acceptable language skills for training cannot be further from the truth when it comes to the aviation sector. All students who train under the Civil Aviation Safety Authority (CASA) are required have the required IELTS scores to undergo training in Australia and as a further checks and balance, they must also pass an ICAO Level 4 English assessment prior to their commercial pilot licence flight test. The aviation regulator provides full mitigation for this risk.
- Every single one of FTA's international students are sponsored by an airline, who cover the cost of their training and who employ the students after successful completion of the training course. None of the airlines allow their international

students to **work** while on course with FTA and all the students return to their countries upon completion of the course.

The restrictions will also help address Australia's record migration levels, he said, which have added pressure to existing housing and infrastructure woes.

FTA's Parafield campus has 292 individual accommodation bedrooms, while its Toowoomba campus has 272 accommodation bedrooms and both sites provide full board and lodging solutions. None of the international students training with FTA access any housing outside of the training facility itself, and as such, FTA is not contributing to the pressure being applied on housing and infrastructure.

Mr Clare accepted that some service providers may have to make difficult budget decisions, but denied the cap would cripple the industry.

I believe this statement highlights the lack of understanding shown by the Federal Government and the true cause and effect of this decision. The Minister's view might be true for some small providers that offer less complex certificate type courses and who can access some domestic replacement students, however, for companies like FTA whose training model was built on the provision of Diploma and Advanced Diploma courses in Aviation to international airlines, the word crippling understates an apocalyptic end game for the aviation training industry if this untargeted cap approach is applied.

Summary

In short, FTA believes it has shown that it addresses and mitigates all the concerns raised by the Minister of Education, Mr Clare, and on the contrary, should be looked to as a VET model to emulate and to ensure an 'international training system that is based on sustainable footing', to quote Mr Clare.

All FTA is requesting is that its cap for 2025, that has been reduced to 115 for 2025 by the recent DEWR letter, be adjusted to 298 to fulfill the contracts FTA has already committed to with the international airlines for 2025 and to ensure FTA does not become another liquidation statistic in the aftermath of Covid. This in our view is a reasonable request, based on our evidence provided in this letter and given that this number is still 31 students less than our pre-pandemic level of students of 329 in 2019. If this cap for FTA is not adjusted as per our request, our initial calculation will see FTA lose \$10.1m in 2025, a financial outcome that will see the arguably the biggest flight training provider in Australia cease to exist.

Your urgent consideration on this dire matter will be highly appreciated.

Yours Sincerely

Johan Pienaar
CEO: Flight Training Adelaide