

Inquiry into the Higher Education Support Amendment (VET FEE-HELP Reform) Bill 2015

La Trobe University supports the objectives of the Higher Education Support Amendment (VET FEE-HELP Reform) Bill 2015. There is clear evidence of a need to strengthen the administration of the VET FEE-HELP loan scheme whilst improving the quality of student outcomes and protecting the reputation of the vocational education and training sector. The continued use of a market mechanism to allocate finite public resources is also supported by La Trobe University.

An important issue within tertiary education policy is maintaining the sustainability of Australia's income contingent loan scheme. At this point, the bulk of loans made through the income contingent loan scheme are administered through the Higher Education Support Act (2003). Trade Support Loans are a small but significant addition to the income contingent loan policy framework (representing around 2.5% of costs of the higher education loan program for 2014-15).

The quantum of funds distributed through VET FEE HELP has increased significantly, and now makes up around a third of the funds distributed to Australian universities through the higher education loan program (Table One).

Table One. University HELP and VET FEE HELP 2012 to 2014

	2012 (\$m)	2013 (\$m)	2014 (\$m)
HECS-HELP ¹	3,037	3,633	3,947
FEE-HELP ¹	593	724	796
SA-HELP ¹	57	86	96
Total University HELP¹	3,687	4,443	4,839
VET-FEE HELP ²	325	669	1,757
VET-FEE HELP: University HELP Ratio	0.09	0.15	0.36

Source:

1. Department of Education and Training - Financial Reports of Higher Education Providers 2012-2014
2. Higher Education Support Amendment (VET FEE-HELP Reform) Bill 2015 Regulatory Impact Statement

The Higher Education Support Amendment (VET FEE-HELP Reform) Bill 2015 is designed to ensure that funds distributed through VET FEE HELP represent a sound investment in Australia's training needs. As the Regulatory Impact Statement indicates, it is likely that the funds allocated through VET FEE HELP will grow over time, even if there is a short term correction in the value of loans made following the passage of the Bill.

The growth of VET-FEE HELP is significant to the sustainability of Australia's higher education income contingent loan program. It is difficult to ascertain the VET-FEE HELP repayment profile of students who have taken out loans, but work undertaken by the Grattan Institute¹ highlights that persons with qualifications eligible for VET-FEE HELP (some Certificate IV qualifications and Diploma qualifications and above) are less likely to earn an income that exceeds the current repayment threshold. As students who have received a VET-FEE HELP loan are less likely to make repayments, the cost of the loan

¹ Norton, A. & Cherastidham, I., 2014, Doubtful debt: the rising cost of student loans, Grattan Institute

program increases to accommodate interest subsidies and debt write offs. The 2015-16 Commonwealth Budget estimated that loan program costs would increase from \$2.4 billion to \$4.4 billion from 2014-15 to 2018-19. The increase in VET-FEE HELP loans is an important and significant element of these loan cost increases.

The relationship between higher and vocational education loan costs and repayment profiles is beyond the scope of the current Inquiry, but La Trobe University encourages the Senate Education and Employment Committee to consider the longer term policy implications of integrating vocational education costs within the higher education policy framework.

Short term policy priorities addressed by the Bill rightfully ensure that VET FEE HELP represents a sound investment in Australia's training needs, with improved accountability and quality measures. This will mitigate VET FEE HELP costs in the short term. In the longer term however, there may be merit in considering a more coherent approach to tertiary education income contingent loans, which could involve distinct policy frameworks that address training and higher education separately.

The primary focus of the Higher Education Support Amendment (VET FEE-HELP Reform) Bill 2015 is the introduction of accountability measures that mitigate the accumulation of bad or doubtful debt, and drive quality in vocational education and training. La Trobe strongly supports this approach, but has some reservations around the design of these measures. There is a risk that some collaborative activity between universities and VET FEE HELP eligible providers could be constrained by the definitions of appropriate and inappropriate inducements used within the Bill.

The Bill defines benefits accessed within the unit or course of study, and necessary for completion of unit or course learning outcome as an appropriate inducement. Benefits defined as inappropriate inducements include access to the internet or software. As currently defined, the Bill may make it harder for VET FEE HELP eligible providers and universities to collaborate on activities such as pathways. For example, a student who has a conditional offer to a joint VET / HE program, who is not yet enrolled, could be perceived to be receiving an inappropriate inducement if accessing library facilities prior to enrolment.

La Trobe University's highly successful Aspire Program, which provides conditional offers to students on the basis of community service, and access to services such as mentoring and library services could be depicted as an inappropriate inducement if the offer were in a joint VET / HE qualification. This issue could be resolved by the addition of a sub-clause to 39DD (1) (d) (iv) to include *the use of such a thing forms part of a vocational higher education pathways partnership supported by formal agreements consistent with VET Guidelines and Higher Education Standards*.

La Trobe University notes that the logic relevant to a decision not to cap fees or program costs is also relevant to higher education, and embeds an inconsistency within the Higher Education Support Act around the degree to which financing flexibility is utilised. La Trobe University encourages the Senate Education and Employment Committee to consider ways of harmonising financing policy in ways that drive quality and accountability in the higher education and vocational education sectors.

La Trobe University notes that many of the accountability measures referenced in the explanatory memorandum and regulatory impact statement are complementary to, but not included within the Bill. Containment of growth in VET FEE HELP as an underlying objective of the Bill, is also dependent

on the efficacy of other interventions proposed by the Government. La Trobe University recommends that a post-implementation review be conducted, within a suitable timeframe, to assess whether these accountability measures have been successful. This review should also include within its scope VET-FEE HELP debt accumulation and repayment, and the extent to which higher loan program costs are attributed to VET-FEE HELP or other factors.