

Chapter 1

Introduction

Reference

1.1 On 13 October 2016 the Hon. Karen Andrews MP, Assistant Minister for Vocational Education and Skills introduced in the House of Representatives a package of bills designed to reform Australia's Vocational Educational and Training sector. The bills are the Vocational Educational and Training (VET) Student Loans Bill 2016, the VET Student Loans (Consequential Amendment and Transitional Provisions) Bill 2016 and the VET Student Loans (Charges) Bill 2016 (the VET bills).¹

1.2 On the same day, Senate referred the provisions of the VET bills to the Senate Education and Employment Legislation Committee for inquiry and report by 7 November 2016.²

Conduct of the inquiry

1.3 Details of the inquiry were made available on the committee's website. The committee also wrote to key stakeholders, groups, organisations and individuals to invite submissions.

1.4 The committee received 54 submissions as detailed in Appendix 1.

1.5 One public hearing was held in Melbourne on 25 October 2016. A list of witnesses who appeared at the hearing is available in Appendix 2.

Background to the bills

1.6 The current VET FEE-HELP loan scheme provides eligible VET students with loans to cover the cost of their higher level VET qualifications including Diploma and Advanced Diploma courses.³

1.7 As noted in the explanatory memorandum to the VET bills, the 2012 expansion of the scheme resulted in unsustainable growth, unscrupulous provider behaviour and poor student outcomes. Many students were left with large debts and in some cases, little to no training outcomes.⁴

1 *Votes and Proceedings No. 11*, 13 October 2016, p. 210.

2 *Journals of the Senate No. 11*, 13 October 2016, pp. 325–326.

3 Department of Education and Training, *VET FEE HELP Reform*, 1 July 2016, https://docs.education.gov.au/system/files/doc/other/160901_vet_fee-help_reform_factsheet.pdf.

4 VET Student Loans Bill 2016, *Explanatory Memorandum*, p. 1.

1.8 Since 2015, the Government has instituted a number of amendments to the VET FEE-HELP loan scheme to address these concerns. These reforms have largely been aimed at strengthening the system to provide greater protections for students and high quality VET providers.⁵

1.9 However, widespread concerns with the existing VET FEE-HELP scheme remain. In order to fully address these concerns, the Government has proposed to replace the existing scheme with a 'new program that supports high quality training, for genuine students, aligned with workplace needs'.⁶ The bills give effect to these proposed changes.

1.10 In addition to strengthening the VET sector, the proposed reforms are also aimed at reducing the budgetary impact of the VET FEE-HELP scheme. The second reading speech on the bills noted that between 2009 and 2015:

- the numbers of students accessing VET-FEE HELP increased from 5262 to 272 000;
- average course costs tripled from around \$4000 to \$14 000; and
- the value of loans landing as debts to students, and as Commonwealth borrowings, increased from \$26 million to \$2.9 billion.⁷

1.11 In preparing the bills currently before the Senate, the Government has undertaken extensive consultation. In April 2016, the then Minister for Vocational Education and Skills, Senator the Hon Scott Ryan, held consultations with 176 VET providers and a number of peak organisations to inform the content of a VET FEE-HELP discussion paper. The 'Redesigning VET FEE-HELP discussion paper' was publicly released on 29 April 2016.⁸

1.12 The Department of the Prime Minister and Cabinet, Attorney-General's Department, Department of Finance, Department of the Treasury, Department of Social Services, Department of Employment, VET providers, industry representatives, state and territory government officials, student and consumer protection advocates and the public have been consulted in relation to the development of the proposed VET student loans program.⁹

5 The Hon. Karen Andrews MP, Assistant Minister for Vocational Education and Skills, Second reading speech, *House of Representatives Hansard*, 13 October 2016, p. 10, http://parlinfo.aph.gov.au/parlInfo/download/chamber/hansardr/f2541705-5a09-4607-bf3f-1d6fd9b611ff/toc_pdf/House%20of%20Representatives_2016_10_13_4470.pdf (accessed 19 October 2016).

6 The Hon. Karen Andrews MP, Assistant Minister for Vocational Education and Skills, Second reading speech, *House of Representatives Hansard*, 13 October 2016, p. 10.

7 The Hon. Karen Andrews MP, Assistant Minister for Vocational Education and Skills, Second reading speech, *House of Representatives Hansard*, 13 October 2016, p. 10.

8 VET Student Loans Bill 2016, *Explanatory Memorandum*, p. 6.

9 VET Student Loans Bill 2016, *Explanatory Memorandum*, p. 6.

Purpose and overview of the bills

1.13 As noted earlier, three bills form this package of legislation: the VET Student Loans Bill 2016, the VET Student Loans (Consequential Amendments and Transitional Provisions) Bill 2016 and the VET Student Loans (Charges) Bill 2016.

1.14 The purpose of the **VET Student Loans Bill 2016** is to introduce a new student loans program that contains a range of measures to protect students and taxpayers and the reputation of VET in Australia. It aims to improve affordability, maximise employment outcomes for students, prioritise loans to skills needs and ensure fiscal sustainability for the Commonwealth.¹⁰

1.15 These outcomes will be achieved by:

- linking loans to courses that meet industry needs and skills shortages and improving the quality of the course delivery by only enabling providers to subcontract training to other approved course providers or higher education providers;
- introducing loan caps for eligible courses approved by the Minister with the initial loan caps to be \$5000, \$10 000 and \$15 000 with the Minister able to exempt courses with high delivery costs;
- strengthening compliance, governance and payment arrangements including by triggering relevant regulatory powers from the *Regulatory Powers (Standard Provisions) Act 2014*. The Bill will enable the Commonwealth to immediately suspend a provider in urgent circumstances and also withhold loan amount payments to providers if it is suspected on reasonable grounds the provider is not complying with the Bill;
- expanding on the existing student protections by banning brokers or agents from engaging or recruiting students in relation to loans, prohibiting contact with students regarding the availability of loans unless the student has expressly consented to contact by the particular provider and broadening the circumstances for which student loans may be re-credited;
- raising the bar for entry by providers to the program to ensure providers have robust governance and management arrangements and maintain acceptable student outcomes and industry links (by way of example);
- introducing an application fee for bodies to apply to become approved course providers and, through the accompanying VET Student Loans (Charges) Bill 2016, imposing an annual levy on providers;
- requiring all existing VET FEE-HELP providers to apply to be approved under the new program. The VET Student Loans (Consequential and Transitional Bill) 2016 will provide for some existing approved VET FEE-HELP providers (such as TAFEs) to be exempt from this re-application

10 VET Student Loans Bill 2016, *Explanatory Memorandum*, p. 1.

process, however all providers, including public providers, will need to meet the higher quality benchmarks to remain in the scheme.¹¹

1.16 The purpose of the **VET Student Loans (Consequential and Transitional Bill) 2016** is to provide for:

- continued access to existing VET FEE-HELP students through 2017 provided they were enrolled with existing VET FEE-HELP providers in a course before 1 January 2017, in receipt of VET FEE-HELP for that course and are actively training;
- continued access to existing VET FEE-HELP providers approved for VET FEE-HELP before 4 October 2016 for those continuing students; and
- the closing of VET FEE-HELP to new providers from 4 October 2016 and to new students from 1 January 2017.¹²

1.17 The **VET Student Loans (Charges) Bill 2016** provides for an approved course provider charge to be imposed on approved course providers as a tax. The amount of the course provider charge will be prescribed by regulation or determined in accordance with a method prescribed by regulation. It is anticipated that the amount of the charge will be determined with regard to the size of the provider.¹³

Structure of the report

1.18 Chapter two briefly outlines the extensive problems identified with the existing VET FEE-HELP scheme and the broad support for the new VET loans arrangements.

1.19 Chapter three examines two of the central issues raised by inquiry participants in relation to the bills, known collectively as the courses and loan caps determination.

1.20 Chapter four considers the other key issues identified in relation to the bills, including the new requirements to be an approved course provider, the regulation of agents, brokers and markets and the transition arrangements to the new scheme. The chapter also discusses the importance of ongoing reporting and transparency.

Compatibility with human rights

1.21 The VET Student Loans Bill 2016 engages the following human rights: the right to work, the right to education, the right to privacy, the right to a fair and public hearing, the right to be presumed innocent, the rights of the child, and the rights of people with disabilities.

11 VET Student Loans Bill 2016, *Explanatory Memorandum*, pp. 1–2.

12 VET Student Loans (Consequential Amendments and Transitional Provisions) Bill 2016 *Explanatory Memorandum*, p. 6.

13 VET Student Loans (Charges) Bill 2016 *Explanatory Memorandum*, p. 3 and p. 5.

1.22 The bills' statement of compatibility with human rights states that the VET Student Loans Bill 2016; VET Student Loans (Consequential Amendments and Transitional Provisions) Bill 2016; and VET Student Loans (Charges) Bill 2016 are all compatible with human rights and freedoms recognised or declared in the international instruments listed in section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*.¹⁴

Scrutiny of Bills Committee

1.23 At the time of drafting the Senate Standing Committee for the Scrutiny of Bills had not reported on the bill.

Financial Impact Statement

1.24 The explanatory memorandum outlines the financial impact of the bill.

1.25 The measures will reduce the value of new student loans being issued by more than \$2.4 billion per annum by the end of the forward estimates in 2019-20. This will in turn lead to an estimated reduction in otherwise total outstanding HELP debt of more than \$7 billion by June 2020 and by more than \$25 billion by June 2026.¹⁵

1.26 In underlying cash terms, the measures for the VET student loans program will cost \$13 million over the forward estimates (administered funding). This is due to less interest and loan fee receipts received as a result of the reduced value of loans issued. In fiscal balance terms, the measures will save \$13 million over the forward estimates due to reduced concessional loan costs.¹⁶

1.27 The table below outlines the impact on underlying cash over the forward estimates:

Table 1.1—Financial impact on underlying cash over the forward estimates¹⁷

	2016-17	2017-18	2018-19	2019-20	Total
Education & Training (\$m)	-11.1	-15.4	-14.8	-17.2	-58.6

14 VET Student Loans Bill 2016, *Explanatory Memorandum*, p. 9; VET Student Loans (Consequential Amendments and Transitional Provisions) Bill 2016, *Explanatory Memorandum*, p. 6; and VET Student Loans (Charges) Bill 2016 *Explanatory Memorandum*, p. 3.

15 VET Student Loans Bill 2016, *Explanatory Memorandum*, p. 6.

16 VET Student Loans Bill 2016, *Explanatory Memorandum*, pp. 6–7.

17 VET Student Loans Bill 2016, *Explanatory Memorandum*, pp. 6–7.

Acknowledgement

1.28 The committee thanks those individuals and organisations who contributed to this inquiry by preparing written submissions and giving evidence at the public hearing.

Notes on references

1.29 References in this report to the Hansard for the public hearings are to the Proof Hansard. Please note that page numbers may vary between the proof and official transcripts.