

# Chapter 1

## Committee Report

### Introduction

1.1 The *Higher Education Support Amendment (Extending FEE-HELP for VET Diploma and VET Advanced Diploma Courses) Bill 2007* was introduced into the House of Representatives on 21 June 2007. On the same day, the Senate referred the provisions of the bill to the committee for inquiry and report by 30 July 2007.

### Conduct of the Inquiry

1.2 Notice of the inquiry was posted on the committee's website and advertised nationally in *The Australian*. The committee received seven submissions, the details of which are listed at Appendix 1. The committee would like to thank all those who contributed to the inquiry.

### Background

1.3 Vocational Education and Training (VET) is 'education and training for work' and is one part of a broader educational network. It is predicted that in the ten years from 2006, employment will grow more quickly in higher skilled occupations than in lower skilled occupations.<sup>1</sup> It is expected that over 60 per cent of jobs will require high-quality technical or vocational qualifications yet currently only 30 per cent of the population have these skills.<sup>2</sup> In order to meet this demand, the number of people attaining VET qualifications will need to increase by 1.9 per cent overall each year.<sup>3</sup>

1.4 As the demand for trade and technical skills increases it is essential to provide broad access to a world-class VET training sector. Current access to the national FEE-HELP loan scheme is restricted to non-commonwealth supported students undertaking accredited courses at higher education institutions. As such, students undertaking equivalent level VET qualifications are required to pay tuition fees up front. With demand forecasts predicting that 54.1 per cent of new entrants' qualifications will need

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- 1 Monash University, Centre for the Economics of Education and Training, report for the National Training Reform Taskforce, *Qualifications and the future labour market in Australia*, November 2006, p. xi.
  - 2 Mr Andrew Robb MP, Minister for Vocational and Further Education, 'Second Reading Speech', Higher Education Support Amendment (Extending FEE-HELP for VET Diploma and VET Advanced Diploma Courses) Bill 2007, *House of Representatives Hansard*, 21 June 2007, p. 12.
  - 3 Monash University, Centre for the Economics of Education and Training, report for the National Training Reform Taskforce, *Qualifications and the future labour market in Australia*, November 2006, p. xiii.

to be at the VET level—with the highest growth required at the diploma and advanced diploma levels—such obstacles to VET courses need to be addressed.<sup>4</sup>

### **Provisions of the bill**

1.5 This bill gives effect to the recent budget commitment to extend FEE-HELP assistance to full-fee-paying students in accredited VET diploma and advanced diploma courses which have approved credit transfer arrangements in place with a higher education provider(s). Extending access to FEE-HELP will reduce some of the barriers to pursuing further education and specifically increase access to VET courses, providing students with a wider choice of training. As this bill proposes to extend the existing Higher Education FEE-HELP program, it is largely based on mechanisms already outlined in the *Higher Education Support Act 2003* (the act). Many of the conditions, including repayments, residency requirements and loan limit thresholds will be the same as those under the current higher education scheme.

1.6 Item 17 is the substantive provision in the bill that inserts a new schedule (schedule 1A) into the act to allow VET providers to offer FEE-HELP assistance. This new schedule outlines accreditation, quality and accountability requirements for VET providers and largely mirrors existing requirements for the higher education sector. Item 17 also provides for the creation of additional guidelines (namely the VET FEE-HELP, VET Administration, VET Provider and VET Tuition Fee) to cover operational aspects of the scheme that will be subject to the *Legislative Instruments Act 2003*.

1.7 Items 1-16 and 18-55 are technical amendments extending the act's operations to the VET sector. In particular, these items deal with entitlements to and calculation of FEE-HELP balances, associated definitions and the repayment of loans. Items 15 and 16 of the bill provide for the appropriation of monies—estimated at around \$221 million over the next four years—required to extend the FEE-HELP scheme. This amount is contingent however upon the number of VET providers seeking approval and the number of students enrolling.

### **Support for the bill**

1.8 Although there were some minor concerns expressed with technical details of the bill there is overall strong support for the bill. This is most evident in the submissions of Raffles KvB Institute and UNE Partnership Pty Ltd, two likely beneficiaries of this legislation.

### ***Access to training***

1.9 The Department of Education, Science and Training (DEST) stated that the bill would give full-fee paying VET students parity with full-fee paying university students. This would enable them to complete qualifications they may not otherwise

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4 *ibid*, p. xii.

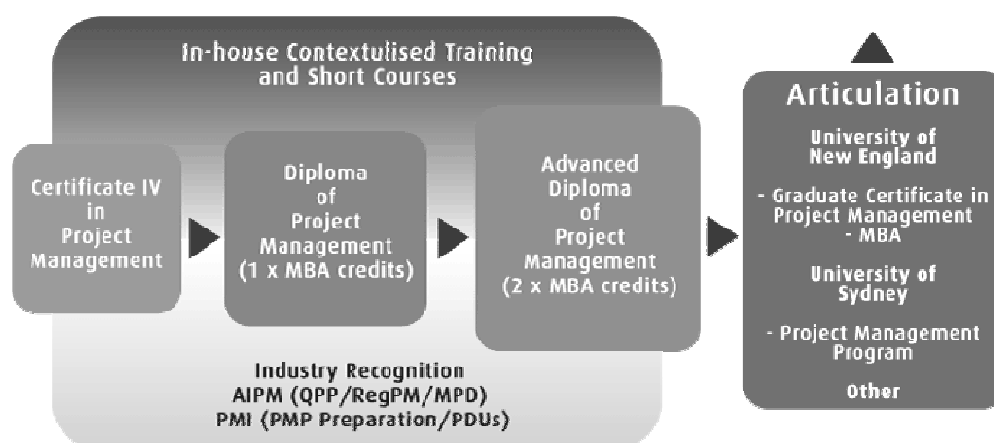
have had the financial means to undertake. DEST also noted that there would be an increase in choice and diversity of both courses and providers, promoting technical and vocational diplomas and advanced diplomas as viable pathways to higher education.<sup>5</sup>

1.10 In its submission, the Raffles KvB Institute provided a specific example of how the bill would particularly benefit students who fail to qualify directly into a degree program. Currently, the institute advises such students to enrol in a VET diploma or advanced diploma and then progress to the degree program, yet the high upfront VET course fees act as a significant deterrent. The institute notes that the extension of FEE-HELP would not only make this option more attractive it would also, due to an anomaly, reduce the overall cost of attaining a bachelor level qualification.<sup>6</sup>

1.11 These views were reaffirmed in the submission from UNE Partnerships, the education and training company of the University of New England, which strongly supported the extension of FEE-HELP. The submission notes that current capital markets available to access funding for VET education are ineffective, and in their experience:

the VET system is one of the few areas in Australia's post compulsory education system where students are required to pay up-front fees without access to loan assistance. Potential students into VET qualifications reject undertaking the option of studying due to financial constraints. There is price sensitivity in deciding to undertake study in the VET sector.<sup>7</sup>

1.12 UNE Partnerships also provided numerous case studies on how its VET qualifications provide a diverse range of pathways to further education at the university level, as the chart below illustrates.<sup>8</sup>



5 Department of Education, Science and Training, *Submission 1*, p. 1.

6 Raffles KvB Institute Pty Ltd, *Submission 6*, pp. 1-2.

7 UNE Partnerships Pty Ltd, *Submission 3*, p. 5.

8 *ibid*, pp. 4-5.

UNE Partnerships believe that by extending FEE-HELP to the VET sector students will have greater access to accredited qualifications which can then provide practical further pathways to other VET awards or university degrees.

### ***Tuition assurance scheme***

1.13 The Australian Council for Private Education and Training (ACPET) were the only submitters to comment on the criteria required by approved VET providers. ACPET strongly supported the Tuition Assurance requirement which guarantees that a student will receive fee refunds in the event of a provider not being able to meet its obligations to its students. ACPET welcomed this condition and stated that this will provide the best protection for students.<sup>9</sup>

### **Concerns about the bill**

1.14 The Student's Representative Council of the University of Sydney's (SRC) submission was unexpectedly totally opposed to the extension of FEE-HELP for VET students. The SRC argued that although the bill will ease the up-front financial burden, students will still not undertake VET courses, as:

students will be repelled from commencing and completing further education due to their aversion to debt. This will be particularly profound for students from a low socio-economic background.<sup>10</sup>

1.15 The SRC also raised the issue that the introduction of a FEE-HELP scheme could risk fee increases by state governments, which it sees as an unacceptable risk to the future participation in VET of students from a low socio-economic background.<sup>11</sup>

### ***Choice of eligible VET qualifications***

1.16 The committee notes that while ACPET and the International College of Hotel Management (ICHM) both offer strong support for the bill they have expressed concern with the exclusion of the vocational graduate certificate and vocational graduate diploma from FEE-HELP. These qualifications were introduced in 2005 specifically as VET sector graduate pathway alternatives to the graduate certificate and graduate diploma.

1.17 ICHM has expressed particular concern with this aspect of the bill as it greatly affects its Swiss Hotel Association diploma and ICHM bachelor degree courses. ICHM has identified that:

students will be able to borrow in their First Year and Second Year, as these courses lead to a Diploma and Advanced Diploma respectively. But based on the legislation as presently intended, students would not be able to apply

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9 ACPET, *Submission 4*, p. 5.

10 Student's Representative Council of the University of Sydney, *Submission 2*, p. 2.

11 *ibid*, p. 4.

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for funding in the Third Year, as Vocational Graduate Diploma courses are not covered by the Bill...the idea that students could borrow for Year 1, Year 2, and Year 4, but not year 3 is bizarre.<sup>12</sup>

1.18 ACPET expressed similar concerns stating that the exclusion of the two most senior VET qualifications from the FEE-HELP scheme was in direct opposition to the stated objectives of the bill. It concludes that 'it seems both logical and equitable that they should be included as part of this legislation.'<sup>13</sup>

### ***VET courses and university credits***

1.19 ACPET was the only submitter to raise objections to only extending FEE-HELP to courses where agreed credit for a university degree is available. ACPET believes this requirement to be an unnecessary constraint that could potentially act against the intention of the bill, including:

- students proceeding to degrees rather than filling the workforce shortages that are seen to exist at the diploma and advanced diploma qualification level;
- excluding current VET courses for which there is no obvious tertiary equivalent as the course has traditionally been covered by VET;
- encouraging the creation by universities of generic degrees so they can enter into the necessary agreements with VET providers which could incur a fee for each student; and
- promoting anti-competitive behaviour especially in regional areas where there may only be one provider of degree-level courses, or this provider may also be a VET provider, they may refuse to make agreements with other VET providers.

ACPET recommends that this condition be removed and the bill instead include the requirements that diploma and advanced diploma courses be at an equivalent level to one that would lead to credit in a university degree.<sup>14</sup>

1.20 Although UNE Partnerships raised no specific objections on this issue, it did note that consideration should be given to the significant amount of time required—as has been the case in their experience—for approval from university committees and academic boards for credit arrangements with VET courses.<sup>15</sup> UNE Partnerships also noted that a mechanism should be in place to ensure that VET providers actually have

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12 International College of Hotel Management, *Submission 5*, p. 1.

13 ACPET, *Submission 4*, p. 5.

14 *ibid*, pp. 3-4.

15 UNE Partnerships Pty Ltd, *Submission 3*, p. 5.

official credit arrangements with universities and 'that they are not misrepresenting these arrangements in the market place.'<sup>16</sup>

1.21 In addition, Raffles KvB Institute raised concerns regarding the process of calculating credit transfers between VET and higher education courses. The institute noted that although a subject may share similar names and objectives across the VET and higher education sectors there may be very little educational equivalence. The institute recommended that academic staff be aware of the different processes and focuses in the two sectors.<sup>17</sup>

### ***Auditing mechanisms***

1.22 A further concern raised by ACPET was that higher education providers offering VET diploma and advanced diploma courses in addition to their degrees may now be subject to two quality assurance processes. ACPET recommends that all higher education providers, even those providing FEE-HELP VET courses, continue to be audited solely by the Australian Universities Quality Agency while all non-higher education providers eligible to offer FEE-HELP courses be audited by Australian Quality Training Framework as proposed in the bill.<sup>18</sup>

1.23 Highlighting a different concern, UNE Partnerships' submission noted that consideration should be given to the financial impact of auditing and compliance with FEE-HELP for VET providers.<sup>19</sup>

### ***TAFE Institutes in Queensland***

1.24 The submission from the Queensland Minister for Education, Training and the Arts, on behalf of the Queensland Government, was concerned primarily with subdivision 3A of item 17 of the bill which defines a VET provider as a body corporate. As Queensland TAFE Institutes are not currently constituted as corporate bodies the submission expressed concern that otherwise eligible students will not be able to access FEE-HELP. The submission identifies that:

there are more than 7,000 domestic fee-for-service VET Diploma and VET Advanced Diploma students in Queensland TAFE...who will be excluded by definition if the Bill is not amended... The exclusion of Queensland TAFE students from access to FEE-HELP would instead create even further distortion and confusion in the community.<sup>20</sup>

1.25 The Queensland Government's submission proposes that the definition be amended to include all public TAFE Institutes as eligible VET providers. Failing this,

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16 UNE Partnerships Pty Ltd, *Submission 3*, p. 6.

17 Raffles KvB Institute Pty Ltd, *Submission 6*, p. 2.

18 ACPET, *Submission 4*, pp. 5-6.

19 UNE Partnerships Pty Ltd, *Submission 3*, p. 6.

20 Queensland Government, *Submission 7*, p. 2.

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the submission calls for a phasing in period of a minimum of three years to ensure that Queensland students are not disadvantaged and to allow time for intended reform of the Queensland TAFE system, due to commence in 2008.

## **Conclusions and recommendations**

1.26 The committee considers that the bill provides the essential assistance required by VET students to ensure Australia has an appropriately skilled workforce for the future. Through this assistance the bill also addresses current discrepancies between the assistance available to full-fee higher education students and their VET counterparts. This will increase the demand for higher level VET courses, increase choice and encourage those already with trade qualifications to pursue further education.

1.27 The committee finds itself in complete disagreement with the argument made by the SRC that access to an optional national loan scheme is a stronger disincentive to underprivileged students than the current compulsory up-front fees. This position is not supported by any of the other submitters, all of whom concur that this bill will provide students with increased opportunities and choice if deciding to undertake further education.

1.28 The committee also observes the concerns raised by the Queensland Government and acknowledges its reforms in this area and the arrangements to be introduced under the *Queensland Skills Plan*. However, the committee believes that the VET provider definition should remain as currently outlined in the bill as the stated governance structure is considered best practice, being modelled on the Victorian TAFE Institutes which collectively outperformed those in other states. The committee also notes that this legislation is having the salutary effect of hastening long-overdue reforms of the Queensland TAFE institutes whose lack of autonomy puts them virtually at the same level as state high schools.

1.29 The committee also notes the concerns of ACPET and ICHM regarding the exclusion of the vocational graduate certificate and vocational graduate diploma. The committee has also considered the list of courses provided by ICHM to illustrate the types of courses offered under these awards. The committee believes that the example raised by ICHM would create an anomaly worth further consideration by the government.

### **Recommendation 1**

**1.30 The committee recommends that the Government consider the practical examples raised regarding the exclusion of the vocational graduate certificate and vocational graduate diploma to ensure the legislation adequately meets its stated objectives.**

**Recommendation 2**

**1.31 The committee recommends that the bill be passed.**

**Senator Judith Troeth  
Chairman**