

# Submission

to

Senate Employment, Workplace Relations and Education  
Legislation Committee

## **Inquiry into the provisions of the Student Assistance Legislation Amendment Bill 2005**

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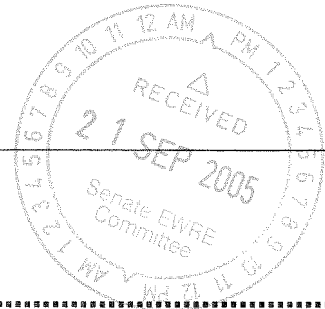
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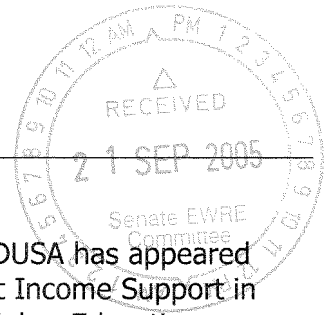
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## INDEX

1.	<b>INTRODUCTION.....</b>	<b>3</b>
2.	<b>TERMS OF REFERENCE.....</b>	<b>3</b>
3.	<b>SUMMARY OF RECOMMENDATIONS .....</b>	<b>3</b>
4.	<b>ABOLISHING THE SCHEME .....</b>	<b>4</b>
5.	<b>THE STUDENT ASSISTANCE LEGISLATION AMENDMENT BILL 2005 .....</b>	<b>6</b>
6.	<b>APPENDIX A – SELECTED REFERENCES FROM THE DUSA SUBMISSION TO THE SENATE INQUIRY INTO STUDENT INCOME SUPPORT .....</b>	<b>6</b>
7.	<b>REFERENCES.....</b>	<b>6</b>



## 1. INTRODUCTION

DUSA appreciates the opportunity to present a submission to this Inquiry. DUSA has appeared before two inquiries of this Senate Committee in 2005 (Inquiry into Student Income Support in Australia, Inquiry into the provisions of the 2005 VSU Amendment to the Higher Education Support Act) and is pleased to contribute on the matter of the Student Assistance Legislation Amendment Bill 2005.

The Student Financial Supplement Scheme (SFSS)<sup>1</sup> was introduced in 1993, and ceased operating at the end of 2003. DUSA has continued to maintain its concern since the scheme's inception, that this scheme should never have been legislated, given its propensity to increase the debt of the most financially disadvantaged students in the country.

Under the SFSS, tertiary students could choose to cash in up to up to 50% of their student allowance (AUSTUDY) and receive \$2 for every \$1 cashed in as an income-contingent loan. Therefore, students could receive an extra \$2,500 per year if they traded in the maximum allowable amount, and thus live on \$7,500 instead of \$5,000 per year. Students were then required to repay \$5,000 of that money, on top of their required HECS debts or TAFE fees.

At the time the scheme was strongly opposed by students themselves, student associations across Australia, parent groups, welfare rights lobby groups, and other organisations and individuals committed to student rights.

This submission will draw out issues related to the SFSS, its implementation and closure, look at the Student Assistance Legislation Amendment Bill 2005, and put forward recommendations for improved student assistance schemes for the future.

## 2. TERMS OF REFERENCE

"The Senate has referred this bill to the Employment, Workplace Relations and Education Legislation Committee for report by 5 October 2005. The bill amends the Student Assistance Act 1973 and the Social Security Act 1991 to make it clear that a student cannot apply for assistance under the Student Financial Supplement Scheme under either act, after this bill is commenced. The Scheme has been closed as a consequence of increasing levels of bad or doubtful debt and reduced take-up of loans. The bill also aligns repayment thresholds and indexation under the Scheme with the HELP program under the Higher Education Support Act. The committee will consider and report on the merits of this bill."

## 3. SUMMARY OF RECOMMENDATIONS

**RECOMMENDATION 1:** That Australian students, and other recipients of government benefits, not be put in the position of having to trade all or part of an income entitlement for either a commercial or income-contingent loan in the future.

**RECOMMENDATION 2:** That the age of independence be lowered to 18, as this is generally regarded as legal adulthood for most other purposes.

<sup>1</sup> "SFSS" will be used for the remainder of this submission.

- RECOMMENDATION 3:** That the HECS, HECS-HELP, FEE-HELP and SFSS loan repayment threshold be legislated in such a way that the minimum repayment threshold cannot be lowered in the future.
- RECOMMENDATION 4:** That AUSTUDY and Youth Allowance are raised to a liveable level, initially in line with Newstart Payments, and then in line with the Age Pension.
- RECOMMENDATION 5:** That within five (5) years, student income support for Australian students aged 18 and over be made consistent with the actual costs of full-time study and sufficient to live on during each year of full-time study.

#### **4. ABOLISHING THE SCHEME**

Australia has a minimal student income support system. A minority of full-time students qualify for Youth Allowance (under 25) or AUSTUDY (25 and over), which are insufficient for students to live on. In fact, they are referred to as "student supplements" rather than "student income support" in government publications.

While 18-year-olds are considered adults for most purposes (including the right to vote, marry, drive, access bank loans, enter licensed premises, join the armed forces, etc), students are not considered "independent" for the purpose of receiving student income support until they are 25. It is instructive to note that the legislative framework of the Student Financial Supplement Scheme did not prevent students under the age of independence (but over the age of 18) from accessing this scheme during the years of its operation.

The SFSS was opposed by many organisations and individuals, on two counts. First, it was regarded as an inequitable scheme that took an entitlement, halved it, and became a 50-50 split between an entitlement and an income-contingent loan. Second, many people feared that the SFSS might be the thin end of the wedge in terms of student income support, and that all such support might be legislated as an income-contingent loan scheme if this scheme were legislated.

The SFSS ceased operating at the end of 2003. At the time the Honourable Larry Anthony MP was Minister for Children and Youth Affairs between November 2001 and 26 October 2004. The Minister put forward the following reasons for ending the scheme in his 24 April press release and the Second Reading Speech:

- the scheme is administratively cumbersome and poorly targeted;
- the mechanism where income support entitlement is traded in for a loan operates effectively as a hidden interest charge;
- the scheme is creating high levels of student debt;
- up to 50% of loans are unlikely to be repaid according to an unpublished report from the Australian Government Actuary;

- in 1993 there were few commercial loans available to students and interest rates were high, but now commercial loans at competitive rates and campus loans are available;  
*and*
- Youth Allowance now provides flexible benefits so take up rates for the loans have declined by one third. (Information and Research Services – Parliament House: 2003)

DUSA maintains a certain level of agreement with the first four points offered by Minister Anthony.

With regard to the fifth point of Minister Anthony's rationale, however, DUSA remains adamantly opposed to students having no choice but to access commercial loans in order to live during their years of study. The majority of Australian students are under 25. The government has mandated that students cannot be declared independent until they are 25 for the purposes of receiving student income support. Instead, full-time students under 25 are expected to rely on their families. A family that can afford to support its' adult children is unlikely to resort to a commercial loan to do so; a family that cannot afford this should not have to take this step. Adequate student income support should be provided, as a basic right, to all full-time students aged 18 or over.

**RECOMMENDATION 1:** That Australian students, and other recipients of government benefits, not be put in the position of having to trade all or part of an income entitlement for either a commercial or income-contingent loan in the future.

**RECOMMENDATION 2:** That the age of independence be lowered to 18, as this is generally regarded as legal adulthood for most other purposes.

**NOTE:** Appendix A outlines DUSA's recommendations to the *Senate Inquiry into Student Income Support 2004*, regarding the adequacy of payments and the age of independence.

## 5. THE STUDENT ASSISTANCE LEGISLATION AMENDMENT BILL 2005

The Student Assistance Legislation Amendment Bill 2005 brings SFSS repayment thresholds into line with HECS-HELP and FEE-HELP payments. DUSA agrees that this is equitable, but would like to see legislation enacted that would ensure that the repayment thresholds will be unable to be lowered in the future.

**RECOMMENDATION 3:** That the HECS, HECS-HELP, FEE-HELP and SFSS loan repayment threshold be legislated in such a way that the minimum repayment threshold cannot be lowered in the future.

The Bill also legislates that students can no longer apply for the loan previously available under this scheme. DUSA commends the abolition of the SFSS, but has concerns for the students who had planned to rely on it for their years of study. The SFSS was made available in the first place because it was clear to the government that AUSTUDY provided an inadequate living allowance. DUSA would like to see student income support levels raised, initially in line with Newstart Payments, and then to the level of the Age Pension. Within the next five years, DUSA would like to see student income support set at a level consistent with the actual costs of full-time study. This will help to abolish the need for such schemes in the future.

**RECOMMENDATION 4:** That AUSTUDY and Youth Allowance are raised to a liveable level, initially in line with Newstart Payments, and then in line with the Age Pension.

**RECOMMENDATION 5:** That within five (5) years, student income support for Australian students aged 18 and over be made consistent with the actual costs of full-time study and sufficient to live on during each year of full-time study.

**NOTE:** Appendix A contains DUSA's recommendation regarding the SFSS to the *Senate Inquiry into Student Income Support 2004*.

## **6. APPENDIX A – SELECTED REFERENCES FROM THE DUSA SUBMISSION TO THE SENATE INQUIRY INTO STUDENT INCOME SUPPORT**

In a previous submission to the Senate Employment, Workplace Relations and Education Legislation Committee (Inquiry into Student Income Support 2004), DUSA made the following statement and recommendation concerning the SFSS:

### **"6: CLOSURE OF SFSS**

DUSA does not support measures that increase levels of student indebtedness. The SFSS has only been utilised by students in the past because student income support levels were inadequate.

Loan schemes are an inadequate and inequitable means of increasing student income. When student benefits are increased to a liveable income level, the need for students to add to their HECS debt with student income debt will disappear.

**6 a.** DUSA recommends that further loan schemes are not considered, but that benefits are brought into line with the real costs of student life." (DUSA: 2004: 23)

DUSA further recommended that:

### **"1. ADEQUACY OF PAYMENTS**

Any adequate student income support scheme must provide sufficient income to cover basic living expenses as well as normal course costs and occasional irregular / emergency expenses.

DUSA recommends that:

**1 a.** the basic living costs and course costs of students are realistically determined.

**1 b.** a review is undertaken to determine the extra costs of distance students in order that these students be fairly and realistically supported.

**1 c.** student income support levels are set at a liveable rate that adequately covers students' basic living costs plus course costs without requiring students to undertake paid work during full-time study.

**1 d.** student income support schemes are extended to include student's studying full-time for a postgraduate coursework degree.

**1 e.** student income support schemes are extended to include eligible postgraduate research students who are unable to access scholarship support.

**1 f.** students be made generally aware of their right to income support through the provision of Centrelink staff to be made available to all Australian university campuses.

**1 g.** in any case where a student has not realised that they are eligible for benefits until later in the academic year, full back-pay should be given within two weeks of application.

**1 h.** up-front fees are abolished.

**2: AGE OF INDEPENDENCE**

The age of independence should be set in line with community perceptions and expectations. For almost every other purpose, young people are considered adults at 18.

**2 a.** DUSA recommends that the age of independence should be set at 18.”

**The full DUSA Submission to this inquiry is available at:**

[http://www.deakin.edu.au/dusa/stud\\_support/SIS\\_Submission\\_Final.doc](http://www.deakin.edu.au/dusa/stud_support/SIS_Submission_Final.doc)

**or upon request from DUSA.**



## 7. REFERENCES

Deakin University Student Association (2004) **Submission to the Senate Employment, Workplace Relations and Education Legislation Committee's Inquiry Student Income Support**, DUSA, Burwood, Victoria, available at:  
[http://www.deakin.edu.au/dusa/stud\\_support/SIS\\_Submission\\_Final.doc](http://www.deakin.edu.au/dusa/stud_support/SIS_Submission_Final.doc)

Information and Research Services - Parliament House (2003) **Family and Community Services (Closure of Student Financial Supplement Scheme) Bill 2003** Bills Digest No. 27 2003-04 *available at:* <http://www.aph.gov.au/library/pubs/bd/2003-04/04bd027.pdf>, accessed September 2003