

Navitas Submission to the Senate Inquiry into the VET Student Loans Package 19 October 2016

Navitas supports the federal government's stated objectives of their reforms to the vocational education and training (VET) loan scheme to protect learners and deliver skills to meet industry needs and employment outcomes. We have consistently argued for strong and appropriately targeted measures to address the rorting by a number of unscrupulous operators. It is essential to restore public confidence in Australia's VET system that has been tarnished by the actions of these operators who duped prospective learners, failed to deliver learning outcomes and thus misused taxpayer funds.

The measures the government introduced in January of this year such as requiring a minimum of three census dates, the 80:20 rule and the freezing of provider loan accounts have already had a substantial impact. While Navitas has consistently opposed the application of the 80:20 rule at the individual entity level and the freezing of loan amounts for providers we recognise that the government had to take action. However, these reforms were a blunt instrument and require further refinement.

Navitas believes that elements of the government's proposed package, which is currently before the Senate Education Committee, reflect sensible and prudent policy. For example:

- Higher barriers to entry (including financial performance measures, industry links, learner outcomes and a three-year track record)
- Payment in arrears to providers
- Learners having to demonstrate their ongoing engagement in training, and
- Increased compliance measures and powers, and information sharing across agencies and regulators

In addition to these elements of the reforms learners would benefit greatly from an investment in accurate, relevant and easily comparable information to inform their decision-making. This is a point Navitas made in our submission to the *VET FEE-HELP Re-design Discussion Paper*. It is Navitas' view that the above measures would be sufficient and highly effective in ensuring unscrupulous and low-quality providers are excluded from the scheme or identified early by a regulator should their practices change or outcomes decline.

Notwithstanding our support for the elements outlined above, Navitas believes that several of the central elements of the proposed reforms will have a strong negative impact on Australia's VET system. Further, the timelines that have been attached to the reforms are largely unworkable, and risk major disruption and confusion for ongoing and prospective learners, and the employers and industries that depend on the skills that are delivered through Australia's vocational education and training sector.

Navitas provides the following feedback to the Committee on each area of concern.

Key areas of concern

Course eligibility

The government has proposed reducing the number of eligible courses from the current list of over 800 down to just 347 courses. Some of the reduction reflects qualifications that have been superseded. However, the vast majority have been excluded on basis of a methodology that is not fit-for-purpose.

The government has applied the criteria of a course appearing on at least two state and territory skills lists or that the course is in a STEM related field. There are several serious drawbacks to this approach.

Firstly, the state and territory skills lists used as the benchmark for course eligibility are designed for a different purpose – that is to identify areas of current skills shortage in a particular jurisdiction. By definition then they do not seek to identify the jobs and skills that will drive the Australian economy into the future. Thus, the approach adopted by the states and territories is not well suited to identifying the emerging higher level skill needs and opportunities in the burgeoning human services sector or those of the creative industries, for example, where traditional industry links and employment pathways are less well defined.

Next, these lists often reflect narrower State and Territory government priorities and consultation protocols with industry, as well as their funding responsibilities for trade training and related sectors.

Further, these lists often deliberately exclude courses currently eligible for Commonwealth funding via VET FEE-HELP and reflect state and territory obligations and priorities under the National Partnership agreement to deliver a Certificate III entitlement.

Finally, as has been pointed out by Andrew Norton, an expert on income-contingent loans, the changes adversely affect female learners who to-date have been great beneficiaries of the VET FEE-HELP scheme.¹

In addition, it is not evident that governments have successfully demonstrated a capacity to 'centrally' determine the future skill needs and relevant qualifications across a diverse labour market and workforce. Work by ACIL Allen has noted that 'it is increasingly accepted that individuals and employers are best placed to decide what they need from training and where they can obtain it – ideally based on good information about what is available'.²

A strategic and evidenced based approach to identifying skills priorities would be a more effective model than relying on state and territory level lists constructed for a different purpose.

Loan caps for courses

The government's proposal to cap the loan amounts for eligible course in three bands (\$5,000, \$10,000 and \$15,000) while being advantageous from their perspective – in that it reduces financial outlays and is administratively simple – will have severe and immediate consequences for learners and negative flow-on effects for Australian employers and the broader economy.

Firstly, imposing loan caps will reduce access to tertiary education for learners and therefore their ability to secure the skills they need to succeed in the workforce. They will either be forced to pay upfront fees; seek out a higher education qualification that may be less well suited to their needs and goals; or they will disengage from further education completely.

¹ Julie Hare, 'Student loan change to target women's course', *The Australian*, 6 October 2016, available at: <http://www.theaustralian.com.au/national-affairs/education/student-loan-change-to-target-womens-courses/news-story/babe14c1bda3d4fa54803f6c09ff5344>

² p.12, ACIL Allen Consulting, 'Australia's Skills Reform Journey: the case for VET reform and progress to date', *Report to ACPET*, available at: http://www.acilallen.com.au/cms_files/ACILAllen_SkillsReformJourney_2015.pdf

It is worth noting that a key aim of VET FEE-HELP (and income contingent loans in the tertiary education sector more generally) was to avoid barring access to skills training for these reasons. The income contingent loan arrangements mean learners are required to repay their loans once income thresholds are reached. This important principle means that higher level vocational education is available to the broad cross section of Australia. The proposed changes walk away from this principle, meaning those without the capacity to pay upfront fees will not be able to access the best quality in programs. This is a retrograde step.

Secondly, the result of this approach is that price bands for many courses bear little correlation to the cost of delivery. The overwhelming evidence, for example, from high quality, reputable nursing training providers across the country, indicates that the loan cap for the Diploma of Nursing (at \$10,000) is at least \$10,000 below that required to meet the needs of this resource intensive program. This will create a disincentive for many of these learners to pursue further education in this field, diminishing Australia's ability to meet future requirements for this critical area of skills need. Similar evidence across a broad range of courses including in the interactive media, aviation, hospitality, creative arts, and business and building fields indicates fundamental concerns with the price bands.

Thirdly, setting arbitrary caps at \$5,000 intervals does not support the provision of high quality, industry-relevant training that the Australian economy needs. This is because the true cost of delivery is high where quality, industry engagement and employment outcomes are strong. Faced with caps, high quality providers – be they public or private – have three choices: remove themselves from the market, so we lose quality providers; impose significant up-front fees on learners; or dramatically 'cut the cloth' to meet the quality standards of mediocre providers. None of which deliver the learner or industry centric outcomes Australia needs in its vocational education and training system.

Finally, as noted by Andrew Norton, having only three separate caps does not adequately reflect market diversity in the VET sector and may lead to further uncertainty for the sector.³

The legislation provides for the Minister for Education and Training to declare exemptions for courses that have high delivery costs but also high social good. While there are indications aviation training will be exempt from the loan cap this must be confirmed. There is also a strong case for nursing and a number of other courses including those in the creative arts sector to also be exempt.

Navitas recommends that the Department of Education and Training undertake market testing of all VET Student Loan courses, in consultation with the industry and state and territory governments, to ensure course loan settings are appropriate to support quality training outcomes.

³ James Wells, 'Government's VET Loan caps three sizes won't fit: Norton', Campus Review, 5 October 2016 available at: <http://www.campusreview.com.au/2016/10/governments-vet-loan-caps-three-sizes-wont-fit-norton/>

Differential treatment of public and private providers

Provisional approval and re-application

Navitas is concerned that the process for provisional approval and re-application differentiates groups of providers based on their ownership structure – i.e. public, not-for-profit and private – rather than their individual risk profile. Given the substantial data available to the Department of Education and Training and regulators, government should be able to differentiate between providers who have abused the system and those who have not, and enact interventions that target high risk providers.

Application fee

Navitas notes that Section 31 of the Bill states that an application fee will be imposed on providers making application to deliver VET Student Loan funded training. In the related VET Student Loans (Charges) Bill 2016 a charge to help meet the administration costs of the program will also be imposed on VET Student Loan (but not government owned) providers.

Neither of these charges was canvassed with industry during the VET FEE-HELP re-design consultations and the details have not been announced. This measure comes in addition to significantly reduced loan caps and will further erode the capacity of providers to deliver to quality benchmarks. The application of the tax only on private providers is inequitable and if applied at all, should be applied to both public and private providers.

Navitas recommends that the application fee and administrative charges not be supported. However, if they are to be imposed, they should apply equally to public and private providers.

Restrictions on third party arrangements

Navitas notes that the Australian Council of Private Education and Training (ACPET) has raised the issue of *Clause 15 – Provision and Delivery*, which will require providers using the services of contracted specialist industry trainers to seek approval on a case by case basis from the Department. This has the potential to cause considerable disruption and delay to the delivery of training courses.

Rather than seeking approval, providers should be able to advise their subcontracting arrangements on a periodic basis with the Department able to take appropriate action where these arrangements are determined to be inadequate or inappropriate.

In relation to the requirement that VET Student Loans can only be provided on behalf of the approved course provider by another approved course provider, there has been little evidence that third party delivery has resulted in poor quality. Both ASQA and the Department hold the approved course provider responsible for the quality of delivery, including with auspicing arrangements. This is the appropriate approach. When many providers have been waiting for approval as VET FEE-HELP providers for significant periods of time already, this process is seen as creating red tape rather than genuine improvement.

Timing of proposed reforms transitional arrangements

Navitas is deeply concerned by the proposed implementation timetable for the reforms. At the time of writing no provisional application process had been released – it is now less than three months from the start of the new academic year. Learners will be wanting to make decisions about their future study plans and require certainty and guidance regarding the arrangements. Likewise, providers are unable to market programs, plan resources or staffing. There is insufficient time for providers to plan, fund and put in place the resources, processes and systems to implement the changes that will be required. This will cause considerable turmoil and ongoing uncertainty.



Relatedly, we have concerns regarding the cut-off date of 31 December 2017 for learners with existing VET FEE-HELP loans. We have a number of programs, which due to transitional arrangements for superseded training packages and minimum course durations, will run beyond the end of 2017. Additionally, there are cohorts of learners, particularly in the allied health area, who due to family and work commitments can take up to three years to complete their diploma course, which again would see them completing after 31 December 2017. Navitas strongly urges the government to allow all learners who commenced study under the VET FEE-HELP arrangements to be able to complete their program under those same arrangements, even if their end date is post 31 December 2017.

About Navitas

Navitas Ltd is an Australian global education leader providing pre-university and university programs, English language courses, migrant education and settlement services, creative media education, student recruitment, professional development and corporate training services to more than 80,000 students across a network of over 120 colleges and campuses in 31 countries. Navitas listed on the Australian Securities Exchange (ASX) in 2004 and is now an S&P/ASX Top 100 Company, employing more than 5,800 staff globally.

Navitas believes an innovative, diverse, globally connected public and private tertiary education and training sector is critical to Australia's future prosperity, intellectual capital and social cohesion.

Background on Navitas Higher Education Providers

Navitas incorporates a number of tertiary education institutions that deliver programs across Australia. Following is a brief overview of our key institutes.

SAE Creative Media Institute

Founded in 1976, SAE Creative Media Institute is recognised as a global leader in creative media education delivering quality higher education and VET programs in audio, film, animation, design, games and web/mobile to more than 10,000 students. In Australia, we employ almost 400 staff to educate about 3,000 students at six campuses.

Navitas Professional Institute

NPI is a provider of niche, quality education programs across counselling, psychology, social work, criminology, nursing and associated areas. NPI's programs cover various education levels from Certificate III, Diploma, Bachelor, Honours through to Masters level. With over 30 years' experience NPI currently delivers programs to approximately 6,000 students at 6 campuses in Australia and employs more than 300 staff.

University Partnership Australasia

In Australia Navitas operates 11 TEQSA registered Higher Education Providers and two managed campuses. Across these institutions Navitas delivers foundation level awards as well as AQF awards at the Diploma, Associate Degree, Bachelor and Masters level. Disciplines taught include Commerce, Engineering, IT, Nursing, Physiotherapy and other Health Sciences, Tourism and Hospitality, Communications, Built Environment, Psychology, Social Sciences and Humanities.

Submitted by Navitas Limited
Level 8, Brookfield Place,
125 St Georges Terrace,
Perth WA 6000 Australia

Contact: Helen Zimmerman, Chief Corporate Affairs Officer
(helen.zimmerman@navitas.com)

19 October 2016