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Hon. Josh Frydenberg MP
Treasurer
PO Box 6022 – House Of Representatives
Parliament House
CANBERRA ACT 2600

Dear Treasurer

RE: 2022 Australian Government Budget – Key higher education and vocational training measures

As you will be aware, the Independent Tertiary Education Council Australia (ITECA) is the peak body representing independent providers in the higher education, vocational education, training and skills sectors. In this context, ITECA takes this opportunity to provide recommendations concerning measures for inclusion in the 2022 Australian Government Budget.

The economic recovery from the Covid-19 pandemic has been stronger than many envisaged and for this, the economic stewardship of the Australian Government is to be commended. One outcome is that Australia's labour market is tight, with skills shortages common across many areas of the economy. The need to provide workplace relevant education and training will fall largely on independent tertiary education providers, particularly given it is independent providers that support over 84% of the more than 3.9 million students in Australia's vocational education and training system.

Allied to the task of creating a skilled and educated workforce for the Australian economy, is the role of the tertiary education sector in supporting international students studying in Australia. It is in that context that ITECA makes several recommendations to support the independent higher education and vocational training providers that support international students within Australia and who are also looking to grow their business offshore.

After extensive engagement with members across the independent tertiary education sector, ITECA is pleased to recommend the following measures to the Australian Government.

**Vocational Training –
A Student-Centric National Skills Funding Agreement**

As the Australian Government negotiates a new national skills funding agreement with the state and territory governments, ITECA is recommending that these discussions be recast to embrace a student-driven model of skills investment.

It is clear that when it comes to the delivery of high-quality skills training, both business and students prefer the independent providers that are supporting over 84% of the 3.9 million students

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in the sector; however, when viewed from a nation-wide perspective, independent providers receive only 21% of government investment in skills training.

ITECA recommends that a new funding mechanism be created that is driven by student choice and which recognises the choices made by students. ITECA recommends an “Australian Skills Credit” be created that provides funding for students (to study courses for occupations in need as identified by the National Skills Commission) to study with any government-approved provider, whether this be a public TAFE college or an independent Registered Training Organisation (RTO).

Vocational Training — VET Student Loan Program Extension

Consistent with the approach recommended by the Productivity Commission in its 2020 Review of the National Agreement For Skills and Workforce Development, ITECA recommends the Government’s VET Student Loans (VSL) Program be extended beyond Diploma (AQF 5) to Certificate IV (AQF 4) qualifications.

This expansion of the existing VSL program would be dovetail with the development and implementation of an Australian Skills Credit which would be set at qualifications from Certificate IV and above.

The qualifications to be included in this expanded VET Student Loans program would be determined by the National Skills Commission having regards for the nation’s workforce needs.

Vocational Training — VET Student Loan Fee Abolition

Presently, the Australian Government levies a loan fee, colloquially known as the ‘student loan tax’ of 20% on all VET Student Loans with independent vocational training providers, and with public TAFE colleges in those very limited instances where no state government subsidy is applied for a relevant course.

At a time of critical workforce shortage and when Australia needs people to invest in skills to address growing workforce shortages, the Australian Government is penalising this investment made by individuals in their skills and those future needs of a growing economy.

ITECA recommends that the VET Student Loans Fee be permanently abolished. The ideal outcome would be for this measure to take effect on 1 July 2022; however, ITECA is also willing to work with the Australian Government on a three-year phaseout.

Vocational Training Apprenticeship support

According to the most recent data from the National Centre for Vocational Education Research, the independent sector supports 50% of apprentices and trainees in-training in the June quarter 2021 (the most recent reporting period). This is a 42.5% year-on-year increase for the independent sector and represents over 69% of the total year-on-year increase in apprentices and trainees across the sector.

Of course, this is due in large part to the wage support provided by the Government through the Building Apprenticeship Commencement (BAC) initiative. This is a measure built around the notion of student choice and employer engagement, both facets of training where independent providers excel, and this is demonstrated by the significant lift in training performance across the economy.

ITECA recommends that the Building Apprenticeships Commencement initiative be revitalised for a second phase to solidify Australia's post-pandemic recovery based on the same framework that the initial BAC program was delivered.

In addition to the significant representation across the skills sector, ITECA also represents a number of independent providers in the higher education sector. Australia's independent higher education sector supports around 10% of the 1.6 million students undertaking a higher education awards program. In that context, the following measures are recommended for inclusion in the 2022 Australian Government Budget.

Higher Education — Additional Funding For Undergraduate Certificates

As part of the Australian Government's response to the Covid-19 pandemic, higher education providers were encouraged to develop six-month online courses focussed on defined areas of national priority. The primary outcome was a new qualification type, the Undergraduate Certificate. Through the pandemic, the Government has made a small number of Commonwealth Supported Places in these Undergraduate Certificates available for study with independent providers. Despite teething issues in delivery and implementation of the program from the responsible department which were to be expected, this investment has been warmly welcomed by the independent higher education sector and by students.

In December 2021, the Australian Government reached agreement with the state and territory governments ensuring these qualifications will continue to be available under the Australian Qualification Framework (AQF) for at least the next three and a half years. This has been welcomed by the independent sector.

Although the qualification will continue to be available for delivery until 30 June 2025, there is no long-term funding commitment in terms of investment in them as there has been to date and this is creating uncertainty for providers and students in the sector.

ITECA recommends that funding for the Undergraduate Certificates be provided in the 2022 Australian Government budget, and across the forward estimates until 30 June 2025. This approach would provide both students and independent higher education providers with the certainty that this qualification could be offered in key qualification areas over this period.

Higher Education — FEE-HELP Loan Fee Abolition

As with vocational training loans, the Australian Government also levies a loan fee – a student loan tax – of 20% on FEE-HELP higher education loans. It is important to note that this student loan tax has temporarily been suspended to 31 December 2022 as part of a series of measures to support both students and providers during the Covid-19 pandemic.

ITECA recommends that the FEE-HELP Loan Fee be permanently abolished. The ideal outcome would be for this measure to take effect on 1 January 2023; however, ITECA is also willing to work with the Australian Government on a three-year phaseout, preferably to align with an abolition of the VET Student Loan Fee (above).

It is noteworthy that while the FEE-HELP student loan tax has been temporarily suspended to help support higher education students during the pandemic, the corresponding VSL student loan tax of 20% (see above) has been reinstated following a waiver in from 1 April 2020 – 30 June

2021. This has reinstated a historical misalignment of the sectors and apparent preferential treatment of one student (and their provider) over another.

Higher Education — Investment in Independent Scholarship and Research

Independent higher education providers are required to undertake scholarship as part of the requirements of the *Higher Education Threshold Standards Framework (Threshold Standards) 2021*, and for many independent providers, to also undertake research as part of meeting those requirements.

Unlike public universities, however, independent providers receive no support in the pursuit of those obligations placed on them by the Commonwealth. That is, the Commonwealth regulatory framework requires independent providers to meet certain requirements with respect to ongoing scholarship and for many of those providers, for research as well. At the same time, those providers rely on student-based revenue FEE-HELP loans, full fee-paying students and from overseas students to cross-subsidise and meet those regulatory requirements.

Public institutions are eligible for scholarship and research-specific Commonwealth funding in meeting the same regulatory obligations, such is the lopsided nature of the higher education regulatory environment.

ITECA recommends the Government establish, in consultation with the independent sector, a mechanism to invest in higher education scholarship and research in the independent sector to the benefit of students and employers.

International Education — Waiver of student visa application fees until 30 June 2023

In mid-January 2022 the Australian Government announced the temporary refund of international student visa application charges, and while this initiative will overwhelmingly assist public providers (notably universities) it is one that has been welcomed by ITECA.

As we emerge from the pandemic in an increasingly competitive global environment, ITECA recommends that this initiative be continued until 30 June 2023 to encourage international students to select Australian international education providers. This measure will help boost on-shore international student enrolments and, through this, provide critical and timely support for independent providers in the international education sector.

International Education — Suspension of CRICOS charges until 30 June 2023

As part of a range of measures to support the international education sector, the Australian Government announced the temporary waiver of a range of fees and charges associated with an entry on the Commonwealth Register of Institutions and Courses for Overseas Students (CRICOS). This measure was supported by ITECA.

ITECA recommends that the relief from CRICOS fees and charges be extended to 30 June 2023 to provide critical and timely support for independent providers in the international education sector as onshore international student arrivals start the process of returning to pre-pandemic levels.

International Education – Appointment of an International Education Commissioner

The recovery of the international education sector needs to be undertaken and managed in a coordinated and effective way, and one in which the various activities of government that are involved in international education are better aligned than has been the case to date. This cohesion across government, including through engagement with the states and territories, is essential to the sector's recovery.

ITECA recommends that the Australian Government appoint, for the first time, an International Education Commissioner.

The primary role of the Commissioner would be to align the disparate activities of government, at a national level, as it seeks to implement the 2021-30 Australian Strategy for International Education.

To ensure that Australian businesses have access to a skilled and educated workforce, the nation needs to ensure that its post-secondary education and training system is aligned, coordinated, robust and resilient, operates cohesively and is free from the excessive compliance and reporting burdens placed by government on both independent higher education and vocational training providers. It is in this context that ITECA recommends a number of key measures for inclusion in the 2022 Australian Government Budget.

Tertiary Education— A Major Ongoing Commitment to Reduction Of Red Tape

That the Australian Government establish a taskforce to identify the redundant and burdensome regulation and reporting in the tertiary education sector and put in place solutions to reduce this. A core element of this work would be the delivery of defined and agreed recommendations concerning the streamlining of government reporting obligations to reduce the burden placed upon the sector by government.

Tertiary Education— ASQA & TEQSA Regulatory Alignment

Dual sector tertiary education providers, these being providers that offer both higher education and vocational training courses, find that much their business activity is regulated in different way by the Australian Skills Quality Authority (ASQA) and the Tertiary Quality and Standards Agency (TEQSA). This misalignment creates an unnecessary red tape burden that provides little in the way of practical solutions to students, but presents a significant compliance burden for independent tertiary education providers.

ITECA recommends that the 2022 Australian Government Budget includes a financial commitment to fund ASQA and TEQSA for joint activity in the field of regulatory convergence; that is, the process of aligning – to the maximum extent possible – each regulators registration standards and associated compliance activity. The priority would be to have this process complete, with measurable outcomes in red tape reduction, complete within three years.

Tertiary Education— Integrated Student Loan Programs

To ensure that the Australian economy is resilient and able to adapt to new technologies, its workforce must be one that is able to access both higher education and vocational training programs throughout their working lives.

The current challenge is that these students will need to deal with two student loan programs (higher education FEE-HELP loans and vocational training VET student loans), each with different eligibility requirements, borrowing limits, and loan requirements, that are both confusing and restrict a student's study options. As a nation, the current disparate arrangements restrict our potential to reap national productivity benefits.

The need for providers to manage these two different loan programs creates a red tape burden when assessed in terms of the somewhat similar, but separate, compliance and reporting obligations.

ITECA recommends the 2022 Australian Government Budget include funding to establish the framework for a single post-secondary student loan program. Operating in the form of a life-long learning account, a student would be able to both borrow from and repay funds over their working lives. In this way, they will have access to financial support to study with vocational training or higher education providers throughout their working lives.

Australia's independent tertiary education sector includes a range of organisations of different types, including many for-profit organisations. It is in this context that ITECA is pleased to provide guidance on the following business support measures.

**Business Initiatives —
Continuation of the instant asset write-off**

To support the investment by independent higher education and vocational training providers in the infrastructure necessary to support excellence in tertiary education delivery, ITECA is recommending the further extension of the 'Temporary Full Expensing' initiative for a further twelve months to 30 June 2023.

The ability of the nation to sustain the economic recovery will depend on businesses having access to a skilled and educated workforce. As noted, it will be independent tertiary education providers that will play the largest role in the skilling of new workforce entrants, and the reskilling of existing workers. The measures set out by ITECA for inclusion in the 2022 Australian Government Budget will support the ultimate delivery of these benefits.

ITECA values the opportunity to provide guidance to the Australian Government on this matter and we look forward to further engagement.

Yours faithfully



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Chief Executive