VTA Submissions re HECS in TAFE

The case for extending income contingent loans to the vocational education and training sector

In April 2007, Treasury Working Paper 2007-2 was released 'HECS for TAFE: The case for extending income contingent loans to the VET sector'.

The Victorian TAFE Association, as the peak employer body for the Victorian TAFE sector, has reviewed the Treasury Working Paper and, in consultation with the member CEOs, identified the following key issues:

1. Potential impact on VET enrolments from the introduction of an Income Contingent Loans Scheme, like HECS, for VET

The paper states that 'its [HECS] effect may have been more substantial with respect to mature-age applicants for whom the return to university study might be expected to be smaller in general (since they have less time to earn higher incomes before retirement). Further, mature-aged potential students are more likely to be earning over the income repayment threshold already, meaning that changes to HECS have a more immediate potential effect.' (Page 13).

The final comment in this quote needs to be considered in the context of the VET sector and specific research undertaken to determine the likely impact on VET enrolments. It is not correct to assume the impact on TAFE enrolments from the introduction of an ICL will be the same as universities given 69.5% of VET students are 20 years of age or older and 89% of VET students are part-time – many in employment?

2. Potential impact on VET student tuition fees from the introduction of an Income Contingent Loans Scheme, like HECS, for VET

Information in the paper uses the HECS system as a template suggesting, for example, a male would commence repayments 5 years after graduation and take two years to repay the ICL of $1000. For a female this is expected to be 7 years.

If TAFE student tuition fees remain relatively stagnant, it may be naïve to believe that a TAFE ICL would match the income levels required under the HECS scheme to trigger repayments. It is likely the Australian Government would want to recoup their investment sooner given the debts are so much less than the average HECS debt.

Further, the paper *does not* consider the proposition that student tuition fees rise annually or that systematic review of the States' directions on fees and charges can include wholesale restructuring of the tuition fee bases.

While arguing for ‘no disadvantage’ in reviewing student tuition fees, the paper overlooks the fact that the Australian Government does not determine student tuition fees. For an ICL to be introduced, an agreement imbedding ‘no disadvantage’ principles needs to be struck between the Australian Government and each State Government.

The VTA remains sceptical that the introduction of a VET ICL would not put upward pressure on student tuition fees.

Until these matters are researched, the application of the HECS scheme as a template for VET is not appropriate in the opinion of the VTA.

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18 September 2007