HOUSE OF REPRESENTATIVES

PROOF

BILLS

Trade Support Loans Bill 2014, Trade Support Loans (Consequential Amendments) Bill 2014

Second Reading

SPEECH

Tuesday, 24 June 2014

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES
Ms BRODTMANN (Canberra) (16:52): Today I rise to speak on the Trade Support Loans Bill 2014 and to support the amendments moved by the member for Cunningham. I want to commend the member for Cunningham for her commitment over decades to vocational education and training. She is a former TAFE teacher and has been a champion out there leading the charge opposing those TAFE cuts on behalf of many. I commend the member for her support of VET and apprentices.

The Trades Support Loans Bill provides for new income contingent loans of up to $20,000 for apprentices undertaking qualifications leading to occupations where there is a skill shortage. As my colleagues have pointed out, Labor is supporting this legislation but we are doing so with some reluctance. These loans were an election commitment of the coalition. However, prior to the election the coalition failed to declare that they would also be scrapping the $1-billion Tools For Your Trade program.

The hugely successful Tools For Your Trade program provided a $5,500 allowance per apprentice, over the course of their apprenticeship, to spend on necessary items such as tools, uniforms, vehicles and living costs. Without the Tools For Your Trade allowance, the only financial support available for apprentices will be loans. Labor is supporting this legislation because we believe there should be some financial support for apprentices and a loan is better than nothing at all. However, prior to the election the coalition failed to declare that they would also be scrapping the $1-billion Tools For Your Trade program.

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The Abbott government's cruel rhetoric shows just how out of touch it is when it comes to apprentices. Apprentices work incredibly hard on a very low wage and face many significant out-of-pocket expenses including tools, uniforms, safety equipment, TAFE fees, travel and day-to-day living costs. The fact that the Abbott government is scrapping the successful Tools For Your Trade program based on anecdotal behaviours of a handful of individuals is nothing short of ridiculous. It is nothing short of insulting, actually. The comments of the minister and his colleagues are incredibly offensive to the thousands of hardworking apprentices in this country who require the Tools For Your Trade allowance to make ends meet. The coalition's action in not revealing prior to the election that they would be scrapping the Tools For Your Trade program was deceitful. They led people to believe that these loans would be complementing the Tools For Your Trade allowance, not replacing it.

The day after the budget, I received an email from a constituent who was absolutely outraged at this deceit. He wrote:

Dear Ms Brodtmann

I am writing for you for support and as our elected Federal Representative at the request of my son who is an apprentice carpenter. He is in his third year to date. For him to become an apprentice he has had to commit to a number of financial burdens. These financial commitments are:

- His work vehicle, he is currently paying off a $7000 loan for a hilux work ute to transport himself and his required tools of trade.
- Tools of trade (eg, air compressors, generator, industrial heavy duty trailer, nail guns, ladders, laser levels and much much more)
- Fuel, he is required to travel approximately 1200 kilometres per week from site to site and home.
- Tech, required equipment (calculators, text books etc)
- His rent (he lives away from home) $250 a week

These are just the expenses that are the big ticket ones, there are many more.

His wage is around the paltry sum of about $14.50 per hour (pretty standard award across apprentice salaries).
He and all apprentices are HIGHLY dependent on the apprentice tool allowance to assist in the purchase of tools. How the scrapping of this allowance and its replacement with the disgraceful proposal of loans up to $20,000 for them to buy tools can even be considered defies belief. The privileged liberals such as Joe Hockey and Abbot have no grasp of reality and seem determined to ensure that our children cannot afford to train as an apprentice in their chosen trade and therefore put off taking on apprentices themselves.

Labor has other significant concerns with this legislation, and the amendments moved by the member for Cunningham serve to address these concerns. First of all, there is significant confusion about how these loans will function. Despite repeated requests in media releases, in question time and in Senate estimates, the minister has still failed to explain in clear language exactly how these loans will work. In the budget papers, it says that apprentices will be charged a concessional interest rate. The minister has been saying the loans are interest-free and that they are indexed by the CPI. The minister is refusing to give clear and concise advice to apprentices. It is so important that, when extending a loan option to young people, a loan that is likely to be their first ever loan, the information provided is clear and accurate, not the mixed messages that we have had from the minister.

Our amendments also address the protection of school based apprentices—children under the age of 18. Indeed, some could be as young as 15 signing up for a school based apprenticeship. The minister has so far failed to explain whether children will require a parent or guardian to supervise the application and undertaking of these loans, who will be explaining the terms and conditions and exactly how he will ensure school based apprentices know that they will be entering into a large debt arrangement. The minister has now confirmed that he is looking to outsource debt management for Trade Support Loans, but again he has failed to explain how he will protect apprentices as young as 15 from ending up in the hands of private debt collectors.

The minister must also explain what steps the government is taking to ensure that young apprentices do not find themselves under pressure from employers to access these loans in order to pay for the costs of the apprenticeship that should be borne by their employers, or to forego wage increases because a loan is available to meet their costs. The potential for abuse and misuse of the scheme is real, but to date the government has failed to give any indication of what resources, if any, will be directed towards educating and supporting apprentices in such situations.

A $20,000 loan is a serious commitment and not something that anyone, let alone a teenager, should be entering into lightly or without appropriate advice and safeguards. It has now become apparent that these loans will be paid in monthly instalments in arrears, and this also raises some concerns for Labor. Apprentices often have to pay for expensive items such as tools, vehicles, uniforms and fees. Paying apprentices monthly in arrears means loans cannot be
used for large expenditure. As apprentices earn a low wage, it is unlikely they will have the savings to pay for these items and therefore they may have to borrow money commercially. So these loans may in fact be used to pay off another, commercial loan. Repaying a loan with a loan is not a habit that I think we want to encourage our young people to adopt. Labor believes that apprentices should be given the opportunity to take their loans as an annual lump sum so that they can pay for the big-ticket items they require and there is no need for them to seek a commercial loan.

It is also important to consider the context in which these loans have been developed. Those opposite have said that these loans demonstrate their support for trades and vocational education, but nothing could further from the truth. The fact is that, in addition to axing the successful Tools For Your Trade program, the Abbott government has also axed: the Australian Apprenticeships Access Program, a program that provided prevocational entry to apprenticeships for the most disadvantaged to give them an opportunity to get an apprenticeship; the Australian Apprenticeships Mentoring Program, a great program that provided apprentices with mentors who had experience in the field that the apprentice had enrolled in; the Apprentice to Business Owner Program, which gave some small business training to apprentices post completion of their trade to enable them to go out and operate their own small business—a wonderful venture; and of course, much to my despair, the Abbott government has axed Labor’s $1 billion Trade Training Centres program, which allowed high school students to begin learning a trade before they finished high school. It gave them pathways.

Trade Training Centres provide students with a taste of a particular trade before they commit to an apprenticeship, supporting increased completion rates. It also gives students the opportunity to finish year 12, get a certificate I to III, as well as to, say, learn a language—that is, get breadth of experience as well as a trade. These centres were highly successful. They have been incredibly popular in my electorate with teachers, staff and students, and particularly with parents. The fact that the government have axed this program is an absolute outrage. They talk about the skills shortage in Australia, they talk about their commitment to vocational education, they talk about enhancing apprenticeships and trades, and they get rid of these fundamental, vitally important pathways that allow more young Australians to achieve a trade.

It really is inexplicable that a government that says that it is committed to trades would abolish these programs that are specifically designed to properly recruit and prepare apprentices and to offer them and their employers support throughout their apprenticeship. The Apprentice to Business Owner Program gives them the opportunity to understand what small business is all about and gives them a pathway to the next step, in terms of owning their own small business. But that is exactly what the Abbott government is doing with the axing of all these programs. Providing the right support to people in training to ensure that we have the skills we need for the future is incredibly important. That is why Labor was so committed to providing the depth and breadth of programs—a variety of access points for young Australians to get a trade, get a skill, get on with enhancing the quality of their life and get experience.

There has been a decline in the number of people undertaking apprenticeships in the last few years and it is right that the government does something to address that. However, getting rid of every piece of support provided to apprentices and leaving them no option but to take out a massive loan is not the answer. The provision of optional loans to apprentices is not opposed by Labor. There will be many apprentices who will willingly take advantage of these loans, but there will be others who will reluctantly take out loans because they have no other option. There will be others for whom the thought of entering into such significant debt in order to complete an apprenticeship will deter them from an apprenticeship altogether. The Trade Support Loans should not have come at the expense of the successful Tools For Your Trade program.

I urge the government to support Labor’s amendments as moved by the member for Cunningham. These are sensible amendments that will make this a good policy and it will ensure that all apprentices have access to the support they need. Our apprentices are our future and they deserve nothing less.