



COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



HOUSE OF REPRESENTATIVES

BILLS

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

Second Reading

SPEECH

Monday, 23 June 2014

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

SPEECH

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Questioner
Speaker Zappia, Tony, MP

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Mr ZAPPIA (Makin) (20:49): In speaking on this legislation I support the amendments moved by the member for Cunningham. There are two specific aspects with respect to this legislation that I want to go to first, and that is to make the two points that are essentially covered by the legislation. The first is that the government is going to provide a HECS-type loan to apprentices to help them pay their apprenticeships costs—a loan of up to \$20,000. The second matter is that the \$5,500 Tools For Your Trade funding, which was previously available to apprentices and made available by the previous Labor government, will be cut. Just as importantly, that cut will take effect from 1 July 2014. For many apprentices, that will be part way through their training. These are apprentices who made their decision in the full knowledge that they would be reimbursed \$5,500 in the course of their apprenticeship and perhaps made the decision based on that understanding. Yet part way through their apprenticeship the \$5,500 that was previously available to them as a direct grant is going to be cut.

The parliamentary secretary said earlier today that the Abbott government had made it clear prior to the election that the Tools For Your Trade program would be replaced. I do not ever recall hearing that statement in the election campaign, and I think I monitored the statements made by the opposition at the time pretty carefully, because I was contesting that election. If the government did make it clear prior to the election then I say to the parliamentary secretary or to his minister: produce some evidence that it was made clear to the people of this country and in particular to apprentices that the \$5,500 would be cut if they were elected.

The government wants to create a perception that by replacing the Tools For Your Trade program with a Trade Support Loans program that apprentices will be better off. That is absolute nonsense. A close analysis of the change will expose it for what it really is: it is another piece of government deception and, even worse, another example of how this government is attacking students, young people and now apprentices by squeezing them even further.

There was a long list of government members who jumped to speak on this legislation—albeit, I accept, they probably had their time cut short by the leader of government business. It is one of the few pieces of legislation that I noticed government members jumping up to speak on, because clearly there is not much else within the Abbott government budget that they feel comfortable enough to get up and speak about. But even when they speak about this legislation they are totally wrong. Either they misunderstand what is ultimately going to happen as a result of this legislation, or they are trying to pull the wool over the eyes of the Australian people.

Labor will support the provision of a \$20,000 loan. We do not have a problem with that. If it had been kept with the \$5,500, as it should have been, it would have been an additional level of support provided to apprentices. But that is not the case. Contrary to what the government has tried to purport from day one—that the loans are interest-free—the reality is that the loans will have an interest rate attached to them or, as the government has changed the language, the loans will be 'indexed'. If you look at Budget Paper No. 2, page 172—and I want to quote directly from it, given that so many members opposite, even in the course of this debate, have said that this will be an interest-free loan—you will see:

Trade Support Loans will be provided at concessional interest rates—

I will repeat that: 'concessional interest rates'—

and capped at \$8,000 in the first year of the apprenticeship, \$6,000 in the second, \$4,000 in the third and \$2,000 in the fourth.

That is a direct quote from their own budget papers. More importantly, whether you use the words 'interest rate' or 'indexation', it effectively means the same. It means that there will be an interest rate applied to the loans. Looking at its budget papers, you will see what the government is really doing: cutting \$475 million of direct assistance to apprentices from their budget. Cutting \$475 million of direct assistance to apprentices is the net effect of this decision.

Providing a loan is helpful, but when it has to be repaid and the \$5,500 Tools For Your Trade program has been cut, then you end up worse off if you are an apprentice. On that figure alone, if an apprentice were to complete their apprenticeship, and if they were entitled to the full amount of the \$20,000 loan that they might have taken out and the full 20 per cent discount, that would give them a net direct benefit of \$4,000. As it currently stands, they would still be \$1,500 worse off as a result of that. That is before you even go to the fact that the apprenticeship courses themselves are increasing in cost, and before you factor in the interest or indexation that will accumulate on the loan that someone has taken out. I ask the question: just as you cannot trust this government on so many matters, how can you trust the government that the indexation will remain at CPI forever and a day? I do not believe you can.

There are many types of skills and occupations where, even after you have completed your apprenticeship, it is unlikely that you would have reached the income of \$50,000-plus that you will require before you have to start paying the money back. So that loan will sit there for years and years. And as it sits there, it will accumulate additional interest. By the time an apprentice, having completed their apprenticeship, is earning money and in a position to pay it back, one wonders how much they will ultimately be paying back. So the \$4,000 that is referred to is an absolute nonsense.

I will also make this point about the \$4,000, because members stand there and say, 'Look, we're giving apprentices \$4,000 if they complete their apprenticeship and they've taken out a loan.' There are not too many apprenticeships that will cost \$20,000. It is unlikely that many of the young apprentices will take out a full \$20,000 loan. If they do not take out a full \$20,000 loan and they complete their apprenticeship, they are only entitled to 20 per cent of what they borrowed. If they do not borrow \$20,000, they do not get back \$4,000. The likelihood is that most of them never will. So the perception that they are being granted \$4,000 if they complete their apprenticeship is also absolute nonsense.

Many of the apprentices that I speak to work for family-owned businesses, where one of their parents is themselves a skilled person, has set up a small business and gone on to employ a family member—quite often a son or daughter—in their business as an apprentice. I cannot imagine too many of those small business people asking their child to take out a loan so that they can in turn become an apprentice in the family business. I would expect that those parents would probably say, 'If we need to take out a loan, we will just go to our own bank and grab an overdraft or whatever the case is, but we don't want to saddle our kids who want to be apprentices with a loan as well once they complete their apprenticeship.' If a young person, whether it is for those or other reasons, decides that they will take out no loan whatsoever, then there is nothing in this proposal for them at all. In other words, if you do not take out a loan, you do not get 20 per cent back if you complete your apprenticeship, you do not get the Tools For Your Trade allowance that you previously got—you get nothing. The only person who might get something out of this is someone who takes out a loan, completes their apprenticeship and then looks for the rebate based on the figure of 20 per cent.

If this government were serious about supporting apprentices in this country, there are lots of other things that it could do that would support apprentices. In particular, it could support initiatives that ensure that those apprentices, having completed their apprenticeships, actually have a job to go to. Regrettably, we are seeing this government, in the very areas where most of the apprentices are likely to be, such as in manufacturing, already walking away from that—

Debate interrupted.