

Issues Paper — 13 December 2024

Aviation courses:

Landing students in serious debt



Contents

Introduction.....	3
Learning to fly	4
The VET Student Loans program.....	4
Data	5
Issues raised in complaints	7
Case Study 1.....	9
Case Study 2	10
Recommendations.....	11
Conclusion.....	15



Introduction

Getting a Commercial Pilot Licence (CPL) is the first step towards a career as a professional pilot, but learning to fly is expensive, costing up to \$90,000 in tuition and flight training.

Aspiring pilots can obtain a CPL with an Australian Qualification Framework-recognised Diploma of Aviation (Commercial Pilot Licence), which is a Vocational Education and Training (VET) level qualification. Without the diploma, students can prepare for Civil Aviation Safety Authority (CASA) exams independently and pay accredited flight schools directly for training and assessment.

Benefits of studying the diploma include greater support, theory instruction and, significantly, access to a VET Student Loan (VSL) to pay tuition and training costs.

As the VET Student Loans Ombudsman (VSLO), the Office of the Commonwealth Ombudsman (the Office) considers complaints from VSL students about their VSL debts.

From the commencement of the VSL program on 1 January 2017 to 30 June 2024, the Office has received 138 complaints about aviation courses, with complainants accruing debts ranging between \$40,000 and \$90,000 despite not achieving their diploma.¹ This makes up about 10% of the 1,333 complaints we have received about the VSL program.²

As VSLO, we are concerned about the debts students are incurring for incomplete Diploma of Aviation (Commercial Pilot Licence – Aeroplane) and Diploma of Aviation (Commercial Pilot Licence – Helicopter) courses. Complainants indicate that they incur substantial financial burdens without achieving a benefit.

While we understand the importance of awarding the CPL diploma only to students who successfully achieve the required competencies, these concerns warrant attention and action to safeguard student interests, ensure transparency and ensure the intentions of the VSL program are met.

¹ Around 60% were from students with Box Hill Institute (BHI). The Office did not investigate these complaints as a class action was in progress at the time. The Office refers new CPL diploma complaints about BHI to the department, given the legal complexity associated with the class action result.

² Between 1 July 2017 and 30 June 2024.



Learning to fly

To earn their CPL diploma, students must:

- achieve their Recreational and Private Pilot Licences (RPL and PPL)
- pass 7 additional theory exams
- complete a minimum of 150 hours (aeroplane) or 105 hours (helicopter) of flight training
- be recommended (by their provider) for a flight test, and pass that test, and
- meet medical requirements.³

According to CASA, CPL courses take around 12 months to complete.⁴

Although providers may deliver their courses differently, most complainants to the Office were first provided theory instruction, followed by practical flight training. In some cases, providers compressed the CPL diploma program into 6 months.

The VET Student Loans program

VSL is an income contingent loan program available to eligible students for certain courses. Students need to repay the loan through the taxation system when their income reaches a threshold. The program is administered by the Department of Employment and Workplace Relations (DEWR) and the debt is collected by the Australian Taxation Office.⁵

The amount available under VSL depends on the type of course students are enrolled in. For a Diploma of Aviation, the maximum amount is \$90,497 (as at 1 January 2024).⁶ This is subject to a 20 per cent loan fee, so a student charged the full \$90,947 in course fees would accrue an additional \$18,189 loan fee, bringing the total debt to \$109,136.⁷ Their debt would also be indexed yearly on 1 June until they pay it off.⁸

³ <https://www.casa.gov.au/licences-and-certificates/pilots/pilot-licences/commercial-pilot-licences/getting-commercial-pilot-licence-cpl>, accessed 11 October 2024.

⁴ <https://www.casa.gov.au/licences-and-certificates/pilots/process-become-pilot/starting-out>, accessed 11 October 2024.

⁵ More information about VSL is available on DEWR's website: [VET Student Loans - Department of Employment and Workplace Relations, Australian Government \(dewr.gov.au\)](https://www.dewr.gov.au/vet-student-loans).

⁶ [VET Student Loans 2024 Course List and Loan Caps - Department of Employment and Workplace Relations, Australian Government \(dewr.gov.au\)](https://www.dewr.gov.au/vet-student-loans/course-list), accessed 21 August 2024.

⁷ Loan fee exemptions applied for units of study with census dates between 1 April 2020 and 31 December 2022.

⁸ Indexation is currently set to the Consumer Price Index, however the government has introduced legislation to set indexation to the lower of the Consumer Price Index and Wage Price Index, and to backdate the application to 1 June 2023. For more information, visit: <https://www.dewr.gov.au/vet-student-loans/announcements/fairer-indexation-vet-student-loans>. Accessed 6 November 2024.



Providers must be approved to participate in VSL and comply with VSL legislation.⁹

In relation to charging VSL course fees, providers must divide their courses into at least 3 fee periods, each with a census date (the date at which fees are incurred for that period). Students can withdraw before a census date without incurring charges for that period, but if they are enrolled on the census date, they incur the fees and providers can claim the loan amount.¹⁰

Providers are also required to reasonably apportion the course fees over the fee periods for the course.¹¹

Data¹²

Total paid in VSL 2019–2023

From January 2019 to December 2023, VSL providers were paid over \$230 million on behalf of around 4,060 students in CPL diplomas in the same period. This works out to about \$56,500 per student.

Completion rates 2019–2023

Over the 5-year period, 1,886 students completed their CPL diploma. The indicative completion rate for CPL diplomas was 66 per cent.

Indicative completion rate: to calculate the completion rate, we divided the number of completions by the number of all students engaged in study, excluding any 'ongoing' students.

Students are considered 'ongoing' if the provider reported them as such in their last status update. We have concerns that many students are considered ongoing, despite their last census date being many years ago. For example, there are 915 'ongoing' students whose last census date was before 2022, including 475 students whose last census date was in 2019.

As these students may have disengaged from their course, the true completion rate may be lower than 66 per cent.

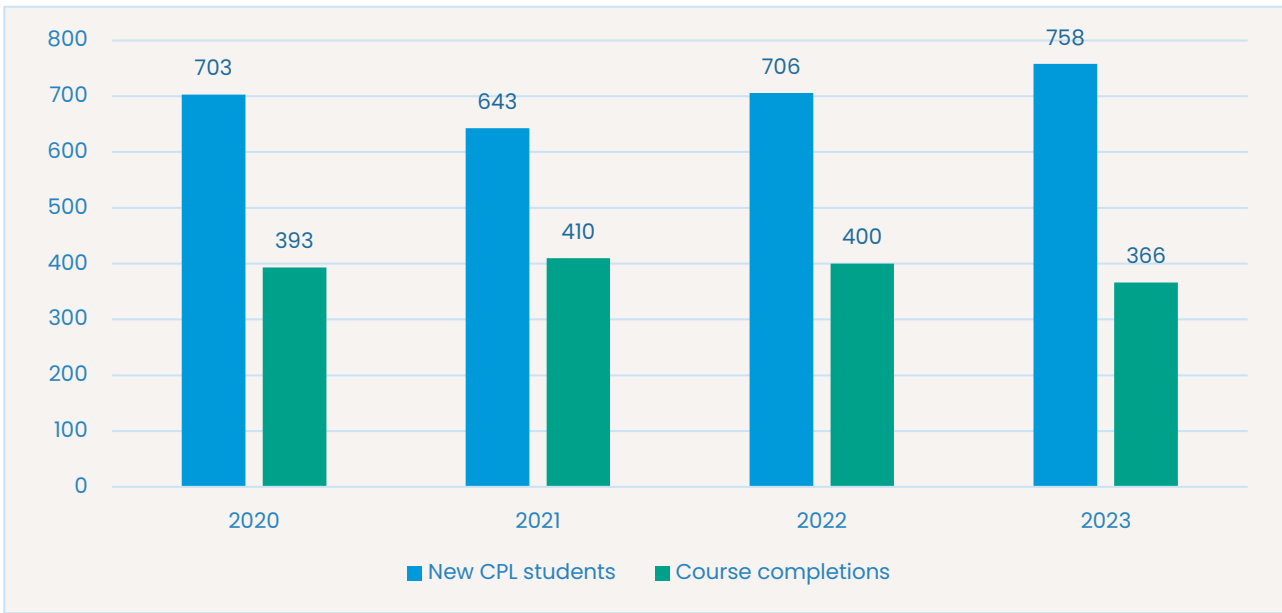
⁹ For more information about provider obligations, see [VET Student Loans Manual for Providers - Department of Employment and Workplace Relations, Australian Government \(dewr.gov.au\)](https://www.dewr.gov.au).

¹⁰ Rule 131(a) VET Student Loans Rules 2016.

¹¹ Rule 122(1)(a) VET Student Loans Rules 2016.

¹² All data provided by the Department of Employment and Workplace Relations. Data is limited to Diploma of Aviation (Commercial Pilot Licence - Aeroplane) and Diploma of Aviation (Commercial Pilot Licence - Helicopter) courses. The data relies on accurate reporting by providers.

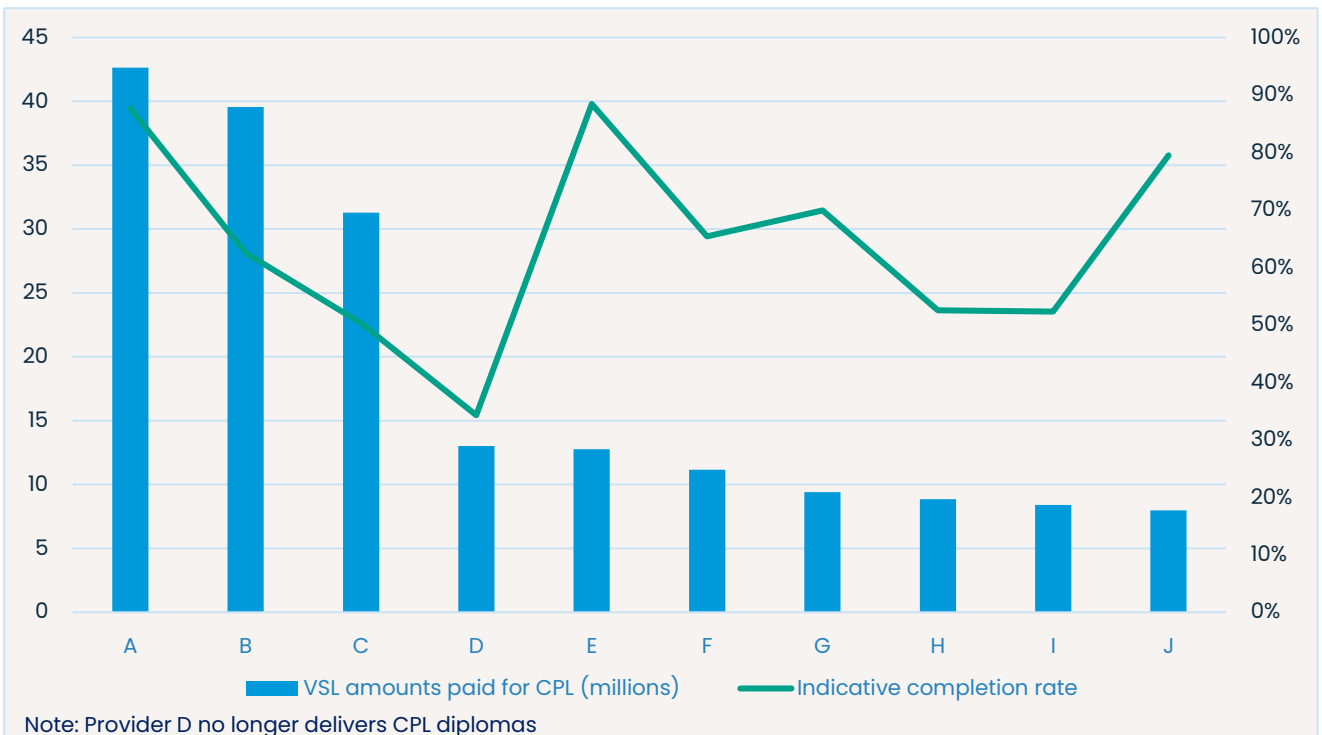
Figure 1: New enrolments and completions of CPL diplomas



Completion rates by provider

Figure 2 shows the total VSL funds received by the top 10 providers delivering CPL diplomas over the 2019–2023 period, and the indicative completion rates for each of the providers.

Figure 2: Amount of VSL paid to top 10 providers for CPL diplomas versus indicative completion rates



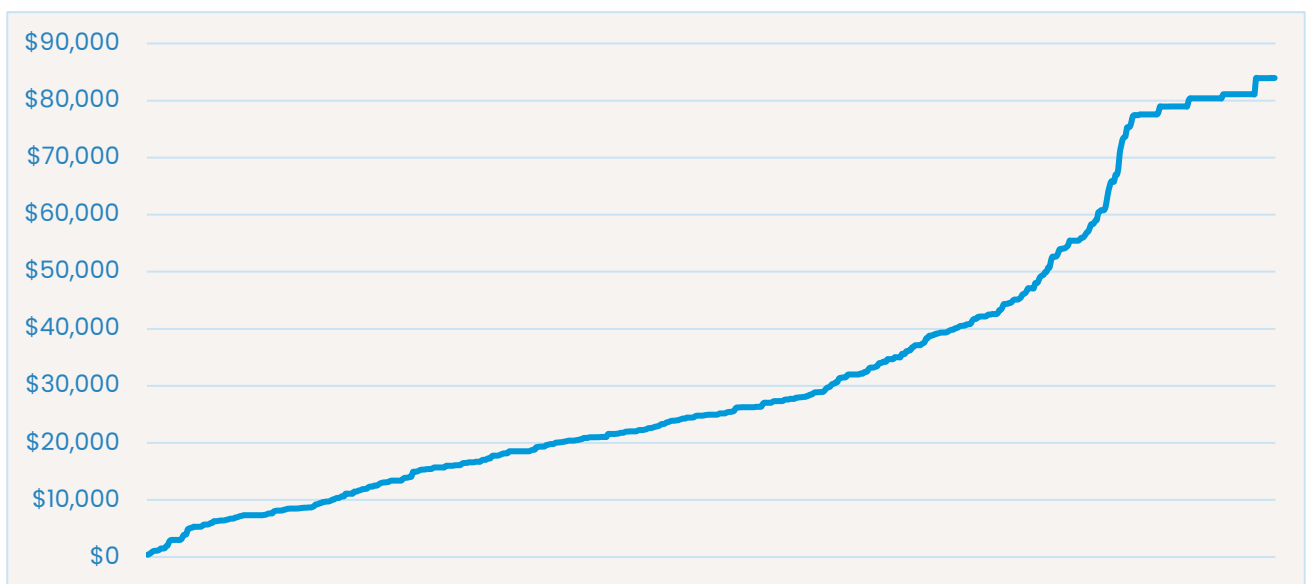
Providers A and E have relatively high indicative completion rates of 88 per cent. On the lower end, provider D (who no longer delivers CPL diplomas) had an indicative completion rate of 34 per cent, and provider C's indicative completion rate is 50 per cent.

Students who withdrew from study

Between 2019 and 2023, 787 students withdrew from their CPL study, and did not re-enrol with their provider (or any other provider).

The debts these students incurred ranged from \$400 to \$83,949.

Figure 3: VSL debts for students with last reported status: withdrawn



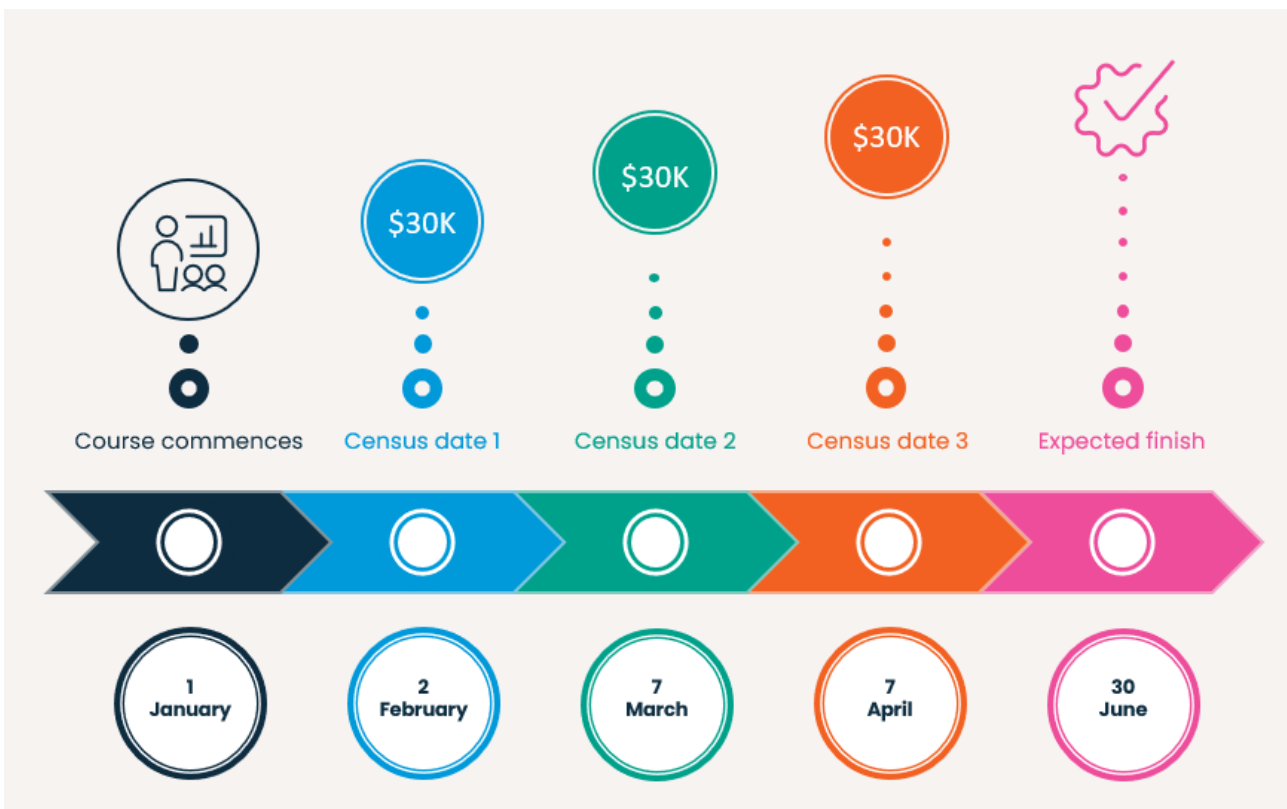
Issues raised in complaints

The complaints we receive about CPL diplomas raise the following issues:

- Students were not aware of all potential costs, including the out-of-pocket costs of additional flight hours if they fail to achieve competency in the diploma's included flight hours.
- Providers did not have sufficient aircraft or instructors available for students to progress at an appropriate pace.
- Providers continued to progress students through census dates even though they were not achieving theory or practical milestones.
- Providers continued to charge and collect VSL funds for students who paused study to resolve disputes.

- Providers divided the whole course cost into equal amounts for each fee period. Students who withdrew after studying mainly theory components had expensive flight training 'averaged in' to their first fee period.
- Providers divided the course into a small number of fee periods, 3 at minimum. As a result, the debt was divided into fewer, larger 'chunks' which were taken at each census date. This disadvantaged students who withdrew before completing the fee period, as they paid larger amounts for services not delivered.
- Providers compressed course delivery into as little as 6 months, so students accrued VSL debts very quickly. As demonstrated in figure 4 below, a provider dividing their CPL course into the minimum 3 fee periods, and reducing course duration to 6 months, could result in students accruing a \$90,000 debt (+ 20% loan fee) after only 4 months.

Figure 4: Example accrual schedule for VSL debt - CPL diploma with 3 census dates, delivered over 6 months



The following case studies demonstrate some of these issues.

Case study 1

Who pays if you need more flight training?

Kim was unemployed and learned they could finance study towards a CPL diploma with a VET Student Loan, so they enrolled with Touch the Clouds flight school.¹³

Partway through the course, Touch the Clouds informed Kim they were not progressing well enough to complete the diploma within the 105 flight training hours included in the diploma fees. At that stage Kim had completed 82 flight hours and the instructor estimated Kim would need an additional 20 hours (to make 125 in total), which they would need to fund privately. This would cost an additional \$12,000.

Kim withdrew from the course as they could not afford to fund the additional hours. By this stage they had passed all census dates and incurred the whole VSL debt for the course, which was \$75,000.

Kim lodged a complaint with the provider to ask for, at minimum, a re-credit of their unused flight hours, and complained they would not have enrolled if they'd known they may need to self-fund any flight training.

Touch the Clouds conducted an internal review and determined its website stated that extra fees may apply if extra flying hours are required. They also determined their trainers would have given Kim progress updates to enable Kim to withdraw before incurring the full debt.

Touch the Clouds also determined they could not refund unused flight hours as all costs for the CPL diploma were incorporated and they could not separate flight hour costs from theory tuition.

As a result of the Office's investigation, Touch the Clouds agreed to refund Kim nearly \$12,000 for their unused flight hours.

¹³ We have changed student and provider details to protect anonymity for both case studies in this paper.

Case study 2

Poor progression but full debt incurred

Ling was part of a group of complainants who were unsatisfied with several aspects of their flight training with Omega Air school and raised issues including:

- Lack of pre-enrolment information about all potential fees.
- Omega continuing to progress Ling and charge them for additional units of study despite experiencing difficulties in progression. Ling incurred the full debt while only achieving their Recreational Pilot Licence, not progressing to Private Pilot Licence and CPL.
- Course quality issues including constantly changing instructors, inexperienced instructors, cancellations of booked flight training hours, disorganised training, lost paperwork, and concerns trainers were deliberately failing students.
- Aircraft maintenance and safety issues, which resulted in a traumatic flight incident where Ling lost belongings from the aircraft. Omega also delayed Ling's progress by 4 weeks to investigate the incident.
- Fleet of aircraft available to students not meeting requirements for flight competency testing.
- Omega withholding Ling's flight logbook.
- Omega not taking action on complaints, not communicating with Ling, and not suspending progression of census dates.

Reasons for withdrawing

Students have given us many reasons for not completing their CPL diplomas. Kim couldn't afford additional flight training and Ling wanted safety and quality concerns addressed before continuing, but they were never properly resolved.

Other students withdrew when they realised something they hadn't understood at enrolment: one told us that they didn't understand the true cost would be 20 per cent higher with the VSL loan fee and another learned the career prospects for helicopter pilots were not as good as suggested in the provider's marketing material.

Students have also withdrawn after failing to achieve their CPL within the 6-month period they had set aside for the course after their provider had assured them it could be done within 6 months. Other students gave up after struggling with CASA theory exams, or they found practical training too challenging.

Students were also diagnosed with conditions affecting their medical clearance, meaning they would never meet CPL health requirements.

Recommendations

The issues raised in CPL diploma complaints to the Office may apply to other types of VSL courses. However, the impacts are far more significant in aviation courses due to the size of the debts and in some cases the speed at which the debts are incurred.

We are not suggesting that students have no responsibility when agreeing to pay for their studies with a VSL, or that all students who don't complete aviation studies should automatically have VSL debts re-credited.

However, there are many structural issues students have no control over that can lead to unfair outcomes. In fact, most of the scenarios described in this paper are compliant with VSL legislation yet can still lead to unfair outcomes for individuals.

We make 4 recommendations aimed at ensuring fairness for students undertaking expensive aviation courses and minimising the financial impact on students who are not able to complete their studies.



Recommendation 1 – Increase transparency

Give students more information up front about the cost of CPL courses and the implications of taking a VSL, including:

- Indicative costs of each flight hour included in the standard program and of each flight hour additional to the program (which may become necessary to complete to obtain the CPL).
- The requirement for additional flight hours to be self-funded, if applicable.
 - Government may also consider increasing the loan cap specifically to cater for additional flight hours in controlled circumstances, such as where the student has passed all CASA exams, RPL and PPL requirements.
- The average proportion of students needing additional flight hours, and the average number of additional flight hours required by these students. Information about characteristics that may lead to additional flight hours being necessary (such as age of student and type of aircraft).
- Completion rates and completion duration statistics by demographic markers such as age.

Ensure that any claims made by course providers about potential career outcomes are realistic and provide balanced information such as:

- CASA records failed attempts at exams and employers may ask to see this information.
- Employers may prefer candidates who achieve competency with fewer flight hours (but also want these quick-learning candidates to have many recorded flight hours in their logbooks).
- Career outcomes for aeroplane and helicopter pilots are different.





Recommendation 2 – Enhance candidate screening

Require stronger screening processes to ensure students meet all medical and academic aptitudes relevant to aviation study and have other essential skills as applicable before they commence studying, to avoid students incurring significant debt when they are not in fact eligible to be a pilot.



Recommendation 3 – Slow down debt accrual

Consider ways to slow student debt accrual so that if something affects a student's ability to complete the course, their debt is minimised. This could include:

- Increasing the minimum number of fee periods to ensure smaller debts are accrued at each census date.
- Increasing the minimum course delivery period.
 - Education providers tell us they compress their CPL diploma to 6 months because students learn and build motor skills better when trained in a short period. Government and industry should consider whether this benefit outweighs the risks of fast accrual.
- Requiring education providers to charge separately for theoretical training and practical flight training, charging an appropriately lower amount for theoretical units.
- Requiring education providers to pause charging of VSL fees for students who are not engaging in study, for example due to an unresolved complaints process, investigation into safety concerns, or student-requested suspensions of study.
- Permitting students to remain enrolled but pause their progress to another fee period, to allow them to meet appropriate benchmarks such as passing CASA exams, achieving RPL or PPL.
- If students withdraw or suspend study after a census date, requiring education providers to re-credit unused training fees, particularly for flight training.





Recommendation 4 – Improve progress monitoring and intervention

Consider ways to charge student fees in line with their progress, for example by:

- Requiring students to pass benchmarks (RPL, PPL, CASA exams) before they progress to next fee periods.
- Where students need additional training to meet benchmarks, charging only for the actual cost of this additional training.
- Early identification of students at risk of needing additional training, particularly additional flight training, to provide early support and counselling on financial implications of continuing.

Conclusion

Students need to repay their VSL debts even if they don't complete their studies. This is the same for all courses, but no other VSL courses come close to costing as much as CPL courses, amplifying the impact of the issues raised in this paper.

With multiple factors at play including medical requirements and flight training, we are concerned about the significant financial impact on students, particularly those who do not ultimately gain a CPL.

Whilst providers were technically compliant with VSL legislation in many situations outlined in this paper, the outcomes appear far from fair and reasonable. Providers appear to be able to take fees according to their own (sometimes accelerated) schedule as long as the student confirms they are enrolled, even if they are struggling to progress, will not ultimately satisfy medical requirements or are awaiting the outcome of a dispute or investigation.

Prompt consideration and implementation of our recommendations by providers will go some way to alleviate these issues and improve outcomes for students and the aviation industry.

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