



**Australian Government**  
**Department of Education and Training**

**VET Student Loans**

# VET Student Loans

**Review of the VET Student Loans course list and  
loan caps methodology**

**Discussion Paper**

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The document must be attributed as the Review of the VET Student Loans course list and loan cap methodology discussion paper.

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## Terms of Reference for the Review

VET Student Loans are income contingent loans designed to provide financial support to students to undertake high quality training for skills that are aligned to workplace needs. Courses that are eligible for loans, and the caps on the loan amounts that can be borrowed per course, can be set by the Government. This is in addition to the processes to approve which Registered Training Organisations can deliver the courses and the decisions on the numbers of students who can receive a loan. In setting limits on eligible courses, and the amount students can borrow, the Government is seeking to ensure that students are not incurring an inflated level of debt for a course, and that loans are only being provided for courses that are closely aligned to the skills employers need in their workplace, thereby enhancing the opportunities for graduates to work, and to repay the money lent to them by taxpayers.

The current methodology for setting eligible courses looks at those which have a high national priority, meet industry needs, contribute to addressing skills shortages and align with strong employment outcomes. Exemptions to this methodology are currently available for listed and not-for-profit providers who can provide evidence of employment outcomes, employer support, and a track record of student progression and completion through a particular course.

There are 355 approved courses on the *VET Student Loans (Courses and Loan Caps) Determination 2016*. An additional 34 courses have been approved to be listed in Schedule 3 of the Determination, which allows specified providers to deliver identified courses not on the approved course list.

There are three loan cap bands of \$5000, \$10,000 and \$15,000, which apply irrespective of whether the course is being delivered face-to-face, online, or via mixed delivery modes. Exemptions to the existing loan cap methodology currently apply to aviation-related courses, and the Diploma of Nursing, due to their higher cost of delivery.

The Government will review the methodology for determining both the eligible courses and loan caps. The review will examine, consult widely with stakeholders and consider:

- methodologies for determining eligible courses
- methodologies for determining loan caps
- appropriate processes to update the eligible course list and loan caps.

In doing so, consideration will be given to ensuring the scheme is well placed to support the ongoing skills development needs of Australian workplaces. The review will also explore basing loan cap amounts on the efficient cost of delivering quality training.

The review will invite submissions and conduct public consultations, and is expected to be completed within the third quarter of 2017 with a view to any changes being implemented from 1 January 2018.

## The VET Student Loans program

### Key Points

- VET Student Loans are income contingent loans which support students to undertake vocational education and training at the diploma level and above.
- VET Student Loans came into effect from 1 January 2017, replacing the VET FEE-HELP scheme.
- This review will deliver on the Government's commitment to ensure that the VET Student Loans eligible courses list and loan caps support students to get jobs or progress to further education without incurring unreasonable debts.

### VET Student Loans

VET Student Loans commenced on 1 January 2017, providing eligible students access to quality higher level VET courses, by paying all or part of their course fees on their behalf, to be repaid only when student incomes exceed a pre-determined threshold. The program aligns to industry needs and employment outcomes, to provide students with the skills required by employers and industry.

The key features of the program are:

- Course eligibility that aligns with industry needs and employment outcomes.
- Loan caps on eligible courses: \$5,000, \$10,000 and \$15,000 (based on cost of delivery).
- A student engagement requirement, where students must demonstrate their continued engagement in their course.
- A new outcomes-focussed application process for providers to access the program, including time limited approvals.
- A strengthened legislative, compliance and payment framework, including payment in arrears and the ability for the Government to impose loan caps on providers on a case by case basis.
- Prohibiting providers from using brokers or directly soliciting prospective students, and limiting arrangements to subcontract training delivery to third parties.

### Why did VET Student Loans replace VET FEE-HELP?

The VET FEE-HELP program commenced in 2009 and was initially focused on supporting pathways into higher education. In 2012 the scheme was expanded, removing the link to higher education and opening the scheme up to vocational education and training more generally, at the diploma level and above.

The expansion of the VET FEE-HELP loan scheme in 2012 led to unsustainable growth in costs, unscrupulous provider behaviour and poor student outcomes. It left many students with large debts and in some cases, little to no training outcomes, which limited their prospects of finding a job. Left unchanged, these policy settings and behaviours would have continued to damage the reputation of Australia's quality VET sector.

On 5 October 2016 the Government announced that a new VET Student Loans program would commence from 1 January 2017, replacing the VET FEE-HELP scheme. The principles and objectives of the VET FEE-HELP redesign are set out in Appendix 1.

### **Why do we need an eligible course list and loan caps?**

Under VET FEE-HELP, taxpayer funded loans allowed students to accumulate debt for any diploma and above level course that an approved provider chose to offer. These loans were provided regardless of whether the course provided skills needed in the Australian economy.

There were no limits on the number of students that providers could enrol into these courses or the fees they charged. This occurred with the knowledge that the full fee amount charged to students would be covered through a taxpayer-funded loan.

As a result, between 2009 and 2015:

- The numbers of students accessing VET FEE-HELP jumped by 5,000 per cent, from 5,262 to 272,000.
- Average course costs more than tripled, from around \$4,000 to \$14,000.
- The value of loans landing as debts to students, and as Commonwealth borrowings, blew out from \$26 million to \$2.9 billion.

In contrast, the VET Student Loans program allows for strong controls regarding:

- Who can offer courses funded by loans.
- Limits on the total loan values providers are approved to offer students.
- Prescribing the courses which are eligible to attract a loan.
- Individual course loan caps (per student).

VET Student Loans limit eligibility to courses that have high national priority, meet industry needs, contribute to addressing skills shortages and align with strong employment outcomes. This ensures the Government's investment in VET is better targeted, and large loan amounts are no longer paid for courses that have limited public good or opportunities for employment; for example naturopathy, energy healing, and veterinary acupuncture.

The uncapped loan amounts under VET FEE-HELP allowed providers to charge students amounts above the value of the course or their capacity to repay. VET Student Loans protects students from incurring large debts due to inflated course fees and reduces the number of unpaid debts to the Government. Without loan caps there is no guarantee students are getting value for money or that the Government is issuing loans that have a reasonable prospect of being repaid.

## The current list and loan caps methodology

The list of approved courses under VET Student Loans and the corresponding loan caps is set out in the [VET Student Loans \(Courses and Loan Caps\) Determination 2016](#) (the Determination).

Courses are listed in the Determination if they are current (in other words, not superseded) and; are subsidised by at least two states or territories, or if they are a science, technology, engineering or mathematics (STEM) course (as defined by the Australian Bureau of Statistics (ABS) and the Office of the Chief Scientist in recent publications<sup>1</sup>). Following consultations, the Government also added courses to the Determination that provide qualifications required under state or territory occupational licencing laws.

Exemptions to the methodology are currently available for listed and not-for-profit providers who can provide evidence of strong employment outcomes, strong employer support, and a strong track record of student progression and completion through a particular course.

This methodology links eligible courses to the prospect of strong employment outcomes through the state subsidy lists. The methodology is explained further in the section below on the VET Student Loans Approved Course List. There are 355 approved courses on the list which training providers can apply to offer. An additional 34 courses have been approved to be listed in Schedule 3 of the Determination. These can only be offered by the training providers specified in the schedule.

Schedule 3 allows for providers to be approved to offer certain courses not on the course list. The application process applies some of the same tests as the course list, in particular employment outcomes. However, for Schedule 3 the test is for an individual provider's student outcomes rather than a course as a whole. For this reason, the application of the employment outcomes test for the two processes will be different and not directly comparable.

Loan caps were derived from VET FEE-HELP tuition fee data and information from the New South Wales (NSW) Smart and Skilled program. The department looked at information on average course costs from the NSW Independent Pricing and Regulatory Tribunal (IPART) when considering the loan caps bands. More information about the results from these methodologies is outlined in the VET Student Loans Caps section of this paper and in Appendix 2.

The course list, loan caps, and methodology were all tested through a national consultation process. The draft eligible course list was released for public consultation during October 2016. Following the release of the course list and loan caps the Government invited public feedback, and received almost 1,600 submissions.

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<sup>1</sup> Office of the Chief Scientist 2016, [Australia's STEM Workforce: Science, Technology, Engineering and Mathematics](#), Australian Government, Canberra.

Common issues raised in these consultations were concerns with using state and territory subsidy lists to determine the Commonwealth list, the value of the loan caps and the exclusion of particular courses (for example the exclusion of some creative arts, counselling, psychotherapy, ministry and theology courses).

### **Why a review is being undertaken**

The review will deliver on the Government's commitment to further test the methodology for the VET Student Loans eligible courses list and loan caps with stakeholders to see whether there are possible alternatives or amendments that would improve achievement of the program's objectives; to support students to gain high level VET skills that are aligned to workforce needs, and to ensure the program remains student-centred and fiscally sustainable.

The Government will review the methodology for determining both the eligible courses and loan caps. The review will examine, consult widely with stakeholders and consider:

- methodologies for determining eligible courses
- methodologies for determining loan caps
- appropriate processes to update the eligible course list and loan caps.

The outcome of the review will see the continuation of arrangements where students receive training in areas that are in demand from employers. This will ensure students follow a pathway toward jobs and subsequently pay back their loans.

## VET Student Loans Approved Course List

### Key Points

- In setting limits on eligible courses, the Government is seeking to ensure VET Student Loans support students in gaining employment.
- Alternatives to the state subsidy lists will be considered when reviewing the eligible course list.
- Potential methodologies could use employment outcomes, educational outcomes, future skills needs, expected future incomes or other measures of public value.

### Role of the course lists

In setting limits on eligible courses, the Government is seeking to ensure loans are only being provided for courses that are closely aligned to the skills employers need in their workplaces. This enhances the opportunities for graduates to work, and subsequently repay the money lent to them by taxpayers.

All students have the right to select which courses they wish to participate in to improve their vocational prospects. Working within budgetary constraints, both the Australian and state and territory governments target expenditure of taxpayer monies to those courses most aligned to occupations with good employment prospects. State and territory governments also target their financial support to certain courses and place limits on student numbers. In the context of the VET Student Loans program, this increases the likelihood of the student being able to extinguish their debt (and thus reducing financial risk to the taxpayer).

The VET Student Loans eligible course list sits in the nexus between the objectives of financial accountability, industry demand for a skilled workforce, supporting employment, upskilling Australia's labour supply, and student choice.

The methodology used to determine the VET Student Loans eligible course list is as follows:

- Qualifications that are superseded are deemed to be ineligible for VET Student Loans (except during a 12 month grandfathering period).
- Of the remaining courses, those subsidised by two or more state or territory governments are included.
  - States and territories develop lists which identify the VET qualifications that attract a state government subsidy. These lists are developed in different ways for each jurisdiction. However, they are typically informed by industry and community consultation, labour market research, and include a range of qualifications to support the varied skills needs of employers. As such, state and territory subsidy lists provide a measure of industry need.
- The addition of course within STEM fields of education.

- Science, Technology, Engineering and Mathematics (STEM) and Agriculture related courses were added to the course list.

In addition to courses covered by the above methodology, the following courses are also eligible:

- Courses tied to licensed occupations.
  - Eight additional courses leading to licensed occupations, as identified by state and territory governments increase the list to 355 courses.
- Courses for particular not-for-profit and listed providers.
  - Not-for-profits and listed providers (TAFEs, universities and other government owned training organisations) are able to apply to have courses they provide added to the eligible course list on a case by case basis, subject to strong evidence of employer support and employment outcomes. These providers and courses are listed in Schedule 3 of the Determination.

### **Considerations for a course list methodology**

When states and territories develop their lists they draw on labour market research, information about private market arrangements, industry and community consultation, as well as reflecting their own state priorities.

By drawing on state lists, the VET Student Loans course list is connected to industry and labour market needs, but the link is indirect. State lists also reflect a range of state priorities that go beyond consideration of employment outcomes. Requiring the course to be on two or more state and territory lists ensures that the Government is not encouraging students to study a course that may only provide a small number of employment opportunities.

The review will consider if there are alternatives to using state lists that still allow students to follow a training pathway leading to employment, through selecting courses with indicators of:

- Meeting short-terms skills shortages
- Addressing future skills needs
- Good employment prospects
- Recognised pathways to further education or training (aligned to skills needs) and/or
- Improved incomes.

Courses related to emerging industries or occupations, where information about outcomes is not yet available, will also be considered by the review. The review welcomes consideration of ways the methodology can respond quickly to ensure the VET Student Loans program continues to meet its objective of providing support to genuine students in accessing high quality training aligned with workforce needs, as those workforce needs change.

The course list encourages students to study in fields that have strong employment outcomes and identified skills needed for workplaces and the economy. The review welcomes contributions on ways to ensure the methodology can take into account evidence of a course's contribution to the

student's employment and career prospects in terms of direct employment, self-employment, or pathways to further study to help students gain future employment.

What is considered a strong employment outcome may differ depending on the student's circumstances (for example, where they live). Nevertheless, the course list provides a key indicator to students about industry needs and the employment outcomes associated with a course.

### **Other considerations**

The VET Student Loans eligible course list needs to reflect emerging workforce, economy and government priorities over the short, medium and long-term. For example, the current inclusion of STEM related courses reflects the Government's focus on strengthening key skills in the workforce in order to keep Australia internationally competitive.

The definition of STEM differs across government agencies with several approaches being applied. For the purposes of the VET Student Loans approved course list, STEM qualifications are defined according to the Australian Standard Classification of Education (ASCED) fields of education 1, 2, 3 and 5. These fields cover qualifications in natural and physical sciences, IT, engineering and related technologies, and agriculture, environmental and related studies.

This approach is consistent with the approach taken by the ABS and the Office of the Chief Scientist in recent publications. However, the ABS has noted<sup>2</sup> that while it does not include Health (ASCED field of study 6) in its definition of STEM, there is considerable overlap in the skills and knowledge that come from an education in health and those developed in STEM fields. The National Centre for Vocational Education Research (NCVER) has also noted that a variety of definitions for STEM are being used across the VET sector<sup>3</sup>.

As a means to support study in courses likely to have good student outcomes, the VET Student Loans program uses an inclusionary list. Some stakeholders have suggested a model that operates on an exclusionary basis. Such a methodology would work on the basis that all courses are assumed to be on the list and the Government would determine criteria for excluding courses rather than including them. For example, courses that are identified as failing the criteria (for example poor student outcomes) would be removed.

Better information for students improves their opportunities to choose the course that is right for them, and their employment and career goals, and in doing so protects taxpayers from subsidising courses that are less likely to benefit students and the economy. In the VET system, students cannot always easily find information that enables them to compare course quality, price or employment outcomes of previous graduates.

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<sup>2</sup> Australian Bureau of Statistics 2014, *Perspectives on Education and Training: Australians with qualifications in science, technology, engineering and mathematics (STEM), 2010-11*, cat. No. 4250.0.55.005, ABS, Canberra

<sup>3</sup> National Centre for Vocational Education Research 2016, *What is STEM? The need for unpacking its definitions and applications*

Under VET FEE-HELP, too often students were induced to sign up for loans by providers or their agents on the basis of decisions that had little to do with course outcomes. The Government now requires providers to publish their tuition costs on the MySkills website and will shortly be adding regulatory decisions or conditions, and registration status of providers to the site. The VET Student Loans Eligible course list is a key way students can identify courses that have a track record of employer support, employment outcomes, or align with a skills need. As well as supporting good student choices, the course list also gives the Government control about what courses it is willing to underwrite through the generous repayment arrangements for VSL in the same way that states make judgements about the courses they will subsidise.

#### Key questions

- What are the limitations of using the state and territory subsidy lists?
- How could the course list be aligned to existing and/or projected skill/occupation/industry needs?
- What would be the implications of using an exclusionary list as opposed to an inclusionary one?
- Could enrolment limits be used in addition to a course list to reflect expected industry needs?
- Are there alternatives to the current state based list methodology that are more likely to reflect Commonwealth policy objectives, including labour market/economic needs?
- How can the methodology identify courses that will ensure students have skills for both current and future jobs and careers, and allow them to adapt to changes already underway in the Australian and global economy?
- How can the list help inform students to allow them to choose the right provider and course for their future work and educational needs?
- Do employment outcomes need to be direct or does a transition to further study at a higher level also represent a good outcome?

### Updates to the list

The Government has committed to update the VET Student Loans course list twice per year from 2018.

There are 57 accredited courses and 298 courses from 48 different training packages on Schedules 1 and 2 of current course list. This list comprises:

- 229 diploma courses
- 105 advanced diploma courses
- 12 graduate certificate courses
- 9 graduate diploma courses.

One of the strengths of the VET system is the wide diversity in the courses offered. However, this can make maintaining the list more complex. For example, changes to training packages and qualifications occur regularly, whilst changes related to labour market trends may not be as frequent. Another challenge is obtaining sufficient evidence to add additional courses to the list where there may be limited data available because the course is new.

Depending on the final methodology, the information used to determine the course list may come from a variety of sources that are updated at different frequencies.

The timing of updates to the list should be considerate of students' needs and allow adequate time for providers to advise students on the availability of VET Student Loans. The timing of changes to the course list is also important to how providers advertise their courses and therefore needs to consider the requirements of the academic calendar.

**Key questions**

- What level of stability do students and employers need in the list to support decision making?
- When are the most appropriate times of the year to publish an updated list to ensure there is enough time and support for provider and student decision making?
- How can the Government balance the speed that new courses come onto the list and superseded and non-priority courses come off the list?
- Is it feasible to allow enough time once a new course is added to the list for new providers to apply to offer VET Student Loans for the enrolling semester?

**Students enrolled in a course that is removed from the list**

The Government is committed to ensuring that students enrolled in courses that become superseded or are removed from the list are protected under VET Student Loans to finish their studies.

**Key questions**

- How long should a course that has been removed from the list remain available to students who have already enrolled in it? How should this component of the list operate?
- How can the Government ensure students are protected, without allowing providers to continue to offer courses that do not provide students with good outcomes and the ability to repay their debt?
- What information do students need to determine if a superseded qualification meets their aspirations/needs?

## VET Student Loan Caps

### Key Points

- The loan caps set the amount a student can borrow to meet the fees of an eligible course, generally set in three bands.
- Loan caps support students to access training while ensuring students pay an amount for their course that is commensurate with the cost of providing the course.
- There are differences in costs of delivery that occur between providers, jurisdictions and regions.
- Government support in the form of loans should be sufficient for students to access quality courses which are competitively priced.

### Purpose of loan caps

The loan caps are designed to protect students from the significant price inflation that occurred under VET FEE-HELP. Loan caps will continue to support students in accessing the training they need whilst also playing a role in helping students maintain a manageable level of debt. Loan caps also play a part in providing students and providers with a price signal to indicate the typical price of a similar course.

Unlike the higher education sector where the majority of students undertake courses that are price regulated, price setting in the VET sector is non-regulated for most students, particularly those outside of state subsidy program. Providers are free to set their own course prices, and may do so to maintain a competitive market position or to help differentiate their product in the open market. Ideally, providers seek to deliver courses that meet both student and employer needs.

### Current methodology

All eligible courses are categorised into one of three course cap bands. Loan caps were derived from VET FEE-HELP tuition fee data and the information from the New South Wales (NSW) Smart and Skilled program. Based on this analysis, three bands were arrived at - \$5,000, \$10,000 and \$15,000. Following public consultation on the eligible course list in 2016, nursing courses were moved from the \$10,000 loan cap band to the \$15,000 loan cap band.

Courses in the aviation training package are allocated to a separate \$75,000 band. The band was determined through an average of MySkills course costs for those courses. More information about loan cap methodology is outlined in the VET Student Loans Caps section of this paper and in Appendix 2.

### Reviewing the loan caps

The current loan caps are being reviewed to determine if there is a need to adjust loan values or the allocation of courses to each band.

The process for updating the loan caps will be considered as part of the review.

## Course prices

A policy objective of the new program is to put downward pressure on fees and protect students from incurring large loans due to inflated tuition fees. While an income-contingent loan scheme supports students who may otherwise have been unable to invest in training, an unintended consequence of students not having to pay upfront costs is that they are less sensitive to price. The loan caps send a price signal to ensure students only pay an amount for the course that a reasonable person would pay if they were paying for the course upfront. The loan caps also ensure that debts can be repaid following the student's transition into work. Early indicators suggest there has been some convergence of provider course prices (both reductions and increases) towards the cap amounts.

Good consumer information can inform students about the returns from a course, helping guide them in assessing how much to pay. Under VET-FEE HELP, training providers chose what to charge, and provided little information to help inform students about what represented a reasonable fee. Loan caps provide important market information to inform students about what the Government is willing to pay for the course.

## Costs of course delivery

A feature of the VET system is the flexibility providers have in how they deliver qualifications. This means there is scope to design training that reflects higher quality, innovative approaches, proprietorial materials, or possibly more intensive support for students. Some of these elements will increase costs. At the same time, innovation can reduce the costs of delivery without reducing quality, enabling providers to reduce fees for students and taxpayers. The interaction of the loan caps with the cost of delivery of different offerings from providers will be examined through the review.

The efficient cost of delivering courses will be explored to establish how course costs could be calculated and used to underpin the loan caps. There can be significant variability in costs of delivery between providers and courses. Factors that may contribute to these cost differences include:

- size of the provider (economies of scale)
- cost of resources
- mode of delivery
- location (regional versus metropolitan).

Some providers may also include additional costs such as administration costs and resource costs (to cover the costs of materials) in their course prices, whereas others may not.

A critical factor affecting costs is differences in mode of delivery; that is face-to-face versus online delivery, with some courses offering mix modes. The increasing prevalence of online learning is considered by many as an important advancement in education. Specifically, online learning facilitates greater access to education for people who are place bound or time-restricted, and can

be effective in combating the rising cost of education by spreading the cost of a class over a much larger number of students.

In most cases, the majority of online training costs are incurred at the course development stage and ongoing costs are minimal once the course is up and running. Online delivery also avoids volume and capacity limitations faced by classroom delivery, and is not restricted by geography or availability of educators. Conversely, the cost of delivering face-to-face training includes premises rental, teacher salary and student equipment such as desks, chairs and other practical equipment.

#### Key questions

- How can VET Student Loans be used to encourage high standards of delivery, while still protecting students from excessive debts?
- What other factors affect course price, and how does it differ across courses, providers and regions?
- Should the setting of course caps take into account the differences in the modes of delivery that providers choose to use?
- How can caps best be used to encourage innovation and flexibility of course delivery to benefit students and taxpayers whilst enhancing the reputation of Australia's VET system?
- How can the current loan cap account for potential additional costs associated with undertaking a course, such as administration and resource fees?
- In addition to the eligible course list and loan caps, how could providers, industry associations and other stakeholders do more to help improve the information available to students and taxpayers about the quality of VET courses and their outcomes to help students make better informed decisions?

### The number of cap bands and their values

There are effectively four cap bands across schedules 1 and 2 of the Determination. In setting the bands, the Government needs to balance administrative simplicity with accuracy of alignment to actual course costs. It is recognised that having more granular cap bands could place additional pressure on providers to operate at or close to each band.

Loan cap levels may not cover the full cost of every course. Setting course caps too low can have an impact on access for eligible disadvantaged students as they are least likely to be able to afford any fee gap. A gap between the loan and the fee can threaten access to a high quality education experience as students may look for cheaper training options. Conversely, where loan caps are set too high, course prices are likely to shift towards the cap, resulting in students being levied with more debt than they should be for the course. Having the optimal number of cap bands at the right values is essential for providing a good program to students and the taxpayer.

As previously mentioned, state and territory governments subsidise certain diploma level and above courses, and the level of subsidy varies across jurisdictions. As such, the loan amount required to cover the net delivery cost may vary across states.

#### Key question

- How should the optimal number of cap bands and range of loan amounts be determined?

## Next Steps

### Consultation (April – May 2017)

The department will be receiving public submissions until 30 May 2017. During this period the department will also undertake consultation in the form of roundtables and bilateral meetings with peak bodies, providers and students.

### Undertaking analysis (May – June 2017)

The consultation with stakeholders will allow the review to examine:

- methodologies for determining eligible courses
- methodologies for determining loan caps
- appropriate processes to update the eligible course list and loan caps.

### Finalising the review (July – September 2017)

The review is expected to be completed within the third quarter of 2017, at which time the methodology and resultant course lists and loan caps will be announced, with a view to any changes being implemented from 1 January 2018.

## Feedback opportunities

### How to make a submission

Public submissions to the review will be open until 30 May 2017. Submissions must be made online through the department's website [Submissions to the Course List and Loan Caps Review](#). The submission form asks for responses to the questions outlined in this paper. Attachments cannot be made through this form as they are not able to meet the department's accessibility requirements.

All submissions will be published electronically on the website unless the author specifically requests the submission to remain confidential. The department may contact submission authors to further clarify or explore points made in submissions.

### Contact details and more information

Questions surrounding the review including the submission process should be directed to [VSLmethodology@education.gov.au](mailto:VSLmethodology@education.gov.au).

Interested parties are advised to monitor the department's [Review of the VET Student Loans Eligible Course List and Loan Caps methodology](#) for more information and updates on the review process.

## **Appendix 1: Principles and objectives for the 2017 VET FEE-HELP redesign**

The redesign of the VET FEE-HELP scheme will be underpinned by the following key principles:

- the scheme is fiscally sustainable and contributes to national economic growth
- the scheme removes financial barriers to training and improves equity of access to higher level VET
- the scheme promotes the delivery of quality and affordable training for students
- the scheme balances industry needs, employment outcomes and student choice
- the scheme is student centred through adequate protection for students (particularly from disadvantaged backgrounds) and access to information that enables informed decision making
- the scheme has program integrity, manages risk and promotes confidence in the regulated VET market.

## Appendix 2: Current Loan Cap Methodology

The experience under VET-FEE HELP showed that strong protections need to be in place for students and the Government to prevent providers charging amounts (and allocating loans) that far exceed the cost or value of the course.

The current loan caps were derived from VET FEE-HELP tuition fee data and the information from the New South Wales (NSW) Smart and Skilled program. The department used information on average course costs from the NSW Independent Pricing and Regulatory Tribunal (IPART) to calculate the loan caps. The IPART analysis was used as this was a comprehensive analysis of a pricing model undertaken by an independent body.

The department mapped the IPART course costs estimates against the VET FEE-HELP course price data from 2010 to 2013. The department intentionally drew on data from a period which preceded the rapid expansive growth in fees under VET FEE-HELP. The mapping exercise validated the use of IPART figures in determining reasonable estimates of the cost of courses nationally.

There are three loan cap bands of \$5,000, \$10,000 and \$15,000 that apply to most courses.

- Courses in fields of education that have an average cost of less than \$8,000 were allocated to the \$5,000 band.
- Courses in fields of education that have an average cost of between \$8,000 and \$12,000 were allocated to the \$10,000 band.
- Courses in fields of education that have an average cost of more than \$12,000 were allocated to the \$15,000 band.

### *Number of courses by band*

Band	Number of courses
\$5,000	42
\$10,000	100
\$15,000	205
\$75,000	8 (aviation only)

### *Exceptions to the methodology*

Exceptions to the existing loan cap methodology currently apply to aviation-related courses, and the Diploma of Nursing, due to their higher cost of delivery. In response to feedback received in 2016 that the cost of delivering nursing courses is greater than the \$10,000 loan cap originally assigned in the draft course list, the Government increased the Diploma and Advanced Diploma of Nursing courses cap to the \$15,000 band.

This means that nursing courses have a loan cap of \$15,000 while other health courses have a loan cap of \$10,000. Courses in the aviation training package are allocated to a separate \$75,000 band which was determined through an average of MySkills course prices for those courses.

*Example of a course assigned to a loan cap - Diploma of Counselling*

- The NCVET categorises the Diploma of Counselling as being in the Society and Culture field of education.
- The average 2015 NSW Smart and Skilled price for all qualifications in this field of education is \$8,544.
- This value was cross checked against the average tuition fee per equivalent full-time student load for VET FEE-HELP students between 2010 and 2013 (\$7,212). This period was chosen as it predates the significant fee inflation which commenced in 2014.
- Therefore, the Diploma of Counselling falls into the \$10,000 loan cap band.