

RedHill Education Limited

Impact of VET Student Loans Legislation

The Australian Government is in the process of legislating changes to the way it provides tuition assistance to domestic students wishing to undertake tertiary Vocational Education and Training (VET) courses.

The Government's **VET Student Loans (VSL)** legislation will result in the phasing out of VET FEE-HELP tuition loans being made available to students, and replacing it with new VSL arrangements.

Overview of VSL arrangements

The new VSL arrangements take effect from 1 January 2017, and the legislation currently before the Senate will:

- reduce the number of vocational qualifications for which loans are made available to students;
- reduce the number of private registered training organisations accredited to offer tuition loans;
- introduce arbitrarily determined maximum loan amounts available to students undertaking applicable qualifications at \$5,000, \$10,000 or \$15,000; and
- for an initial transition period between January and June 2017 impose "caps" upon each applicable qualification of no more than approximately 110% of the VET FEE-HELP loan amount offered for the same period in 2016.

The implementation of VSL arrangements follows unacceptable abuse of the VET FEE-HELP system by a small number of providers who pursued strategies to enrol as many students as possible with little or no regard to the suitability of courses for the particular students or their likely ability to complete their studies.

RedHill's directors welcome actions to remove unscrupulous behaviours from the industry.

Impact upon RedHill's results

Less than 4% of RedHill's revenues are currently generated from students accessing VET FEE-HELP tuition loans. The implementation of VSL arrangements are not expected to negatively impact RedHill's financial performance in FY2017, however some growth initiatives planned for 2017 will be constrained.

RedHill is achieving strong revenue growth from its delivery of Higher Education courses, and from services and courses it delivers to international students. These areas represent the bulk of RedHill's revenues and profits and are not impacted by the introduction of VSL arrangements.

RedHill's response to VSL arrangements

All VET diploma courses delivered by RedHill will remain on the Government's eligible qualification list when proposed VSL arrangements come into effect, and eligible students will have access to VSL tuition loans subject to the maximum loan amounts and training organisation "caps" discussed above.

Whilst RedHill's directors expect revenue growth of its high quality VET courses to be arrested by the implementation of VSL arrangements, they are considering various alternatives to manage this transition and to develop other strategies to grow RedHill's VET revenues.

With unscrupulous behaviours removed, RedHill's directors believe this will result in greater confidence in the Australian VET sector, and the emergence of new opportunities for RedHill and other quality private education organisations.

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ABOUT REDHILL EDUCATION

RedHill operates a portfolio of quality education businesses at the premium end of the private education market to service the demand for higher education, vocational training and English language programmes. For further information refer to our website www.redhilleducation.com.