



Australian Government

Tuition Protection Service

Education Legislation Amendment (Tuition Protection and Other Measures) Bill 2019

Submission from the Tuition Protection Service
to the Education and Employment Legislation
Committee

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Education Legislation Amendment (Tuition Protection and Other Measures) Bill 2019

Introduction

The Tuition Protection Service (TPS) welcomes the opportunity to make a submission to the Education and Employment Legislation Committee to the Inquiry into the Education Legislation Amendment (Tuition Protection and Other Measures) Bill 2019, VET Student Loans (VSL Tuition Protection Levy) Bill 2019, and the Higher Education Support (HELP Tuition Protection Levy) Bill 2019.

This submission will focus on the current arrangements in place regarding the Australian Government's assistance to international students under the TPS.

Tuition Protection Service (TPS) Overview

Background

The Australian Government regulates the provision of education and training services to overseas students through the education services for overseas students' legislative framework, which includes:

- *Education Services for Overseas Students Act 2000* (ESOS Act);
- *Education Services for Overseas Students Regulations 2001* (ESOS Regulations);
- *National Code of Practice for Registration Authorities and Providers of Education Training to Overseas Students 2007* (National Code);
- *Education Services for Overseas Students (Registration Charges) Act 1997*; and
- *Education Services for Overseas Students (TPS Levies) Act 2012*.

The TPS was established on 1 July 2012.

The TPS is funded by industry through an annual levy paid by all providers of education to international students. The funds collected through the TPS Levy are used to assist students affected by unexpected provider closures and to contribute towards operational costs.

Applicability

The TPS is a universal scheme, hence, all Commonwealth Register of Institutions and Courses for Overseas Students (CRICOS) registered education providers are covered by the TPS and contribute to the TPS Levy. However public providers (Table A universities, TAFEs, schools that receive recurrent public funding) are exempt from paying the Risk Rated Premium component of the TPS Levy.

Tuition Protection Service Structure

The TPS consists of the TPS Director, whose primary functions are ensuring tuition protection for international students, and ensuring the long term sustainability of the Overseas Students Tuition Fund (OSTF) through the management of expenditure and the collection of the annual TPS Levy.

The TPS Director engages an external service provider (TPS Administrator) to assist it in managing and assessing student claims through the TPS Online claims management system.

The TPS Advisory Board is responsible for advising the TPS Director on the settings for the Risk Rated Premium and Special Tuition Protection components of the TPS Levy. The TPS Advisory Board consists of up to seven non-Government and five government members. In accordance with the commitment to smaller government, three positions allowed for under the ESOS Act remain vacant. The Risk Rated Premium component of the TPS Levy is set by legislative instrument made annually by the TPS Director on approval by the Treasurer by 31 December of each year.

The TPS Director is supported by the TPS Operations team, provided by the Department of Education. The TPS Operations team manages the secretariat of the TPS Advisory Board, undertakes the TPS Levy collection and provides operational support for the TPS Director.

Tuition Protection for international students

The TPS acts as a 'placement and refund service of last resort' for the international education sector. The ESOS Act clearly outlines the obligations of registered providers in regards to international students in the case of provider default¹; specifically within 14 days of the default the provider must:

- place students with an appropriate alternative provider; or
- refund students their unspent tuition fees.

The TPS acts in the place of the provider in the case that the provider is not able to meet its obligations.

TPS performance since establishment

Since 1 July 2012, the TPS has managed 71 provider closures displacing over 11,000 students. 44 closures resulted in a call being made on the OSTF (the Fund), hence required TPS activation. In the remaining cases the TPS has been involved to a varying degree including facilitating and monitoring provider obligations process to ensure providers meet their obligations and affected students get timely assistance.

¹ Provider default is where a provider fails to start a course on the agreed starting day, or ceases operating a course before it is completed.

The TPS has processed over 4,100 student claims at a total cost to the Overseas Students Tuition Fund of almost \$9.5 million.

The OSTF and the TPS Levy

Overseas Students Tuition Fund (OSTF)

The OSTF (the Fund) is a special account managed by the TPS Director for the purpose of providing tuition assurance for international students and managing the operation of the TPS. The Fund is funded by the TPS Levy, collected annually by the TPS.

The TPS Advisory Board, based on advice from the Australian Government Actuary, has determined a strategic reserve target of the Fund between \$35 million and \$60 million, reflecting a balance of fund sustainability and a desire to minimise the burden on the sector. The balance of the Fund at 30 June 2019 was \$40.6 million. The chart below provides the progress of the Fund over the years. The Fund was protected by a commercial insurance arrangement in its early years, however, the Fund is now considered to be self-sustainable without the need for a commercial insurance. The Fund has been without commercial insurance since 1 July 2017.

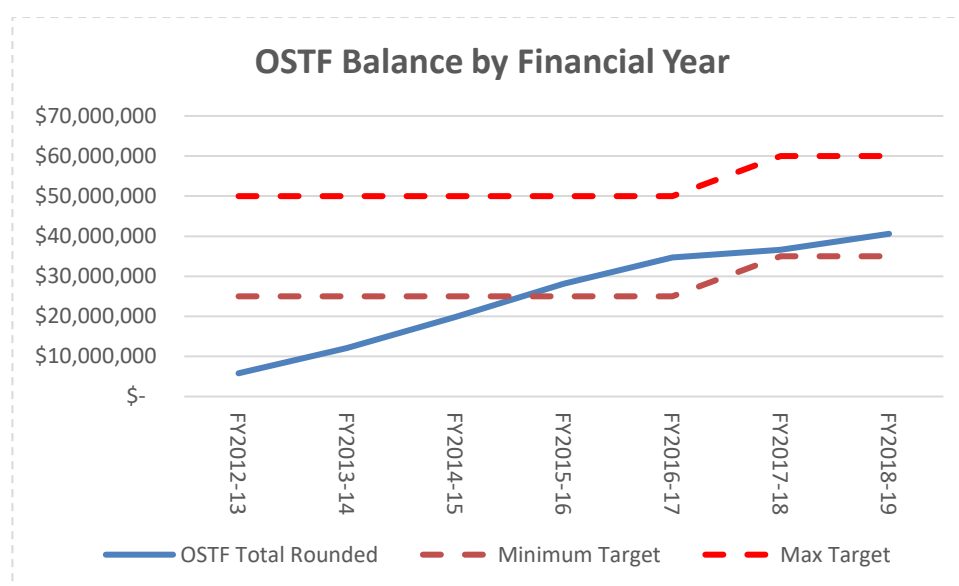


Figure 1 - OSTF balance by financial year

Components of the TPS Levy

The TPS Levy consists of four components – the Base fee, the Administration fee, the Risk Rated Premium and the Special Tuition Protection Component.

Base and Administration fees

The Base and Administration fees represent the base of the TPS Levy, and are payable by all CRICOS registered providers. These amounts are, determined by the Minister via legislative instrument or are indexed annually if a new determination

has not been made. The Base and Administration fees payable per enrolment have been changed once since the establishment of the TPS, as per the chart below, reflecting the movement of the Fund into the lower bound of its strategic reserve target range:

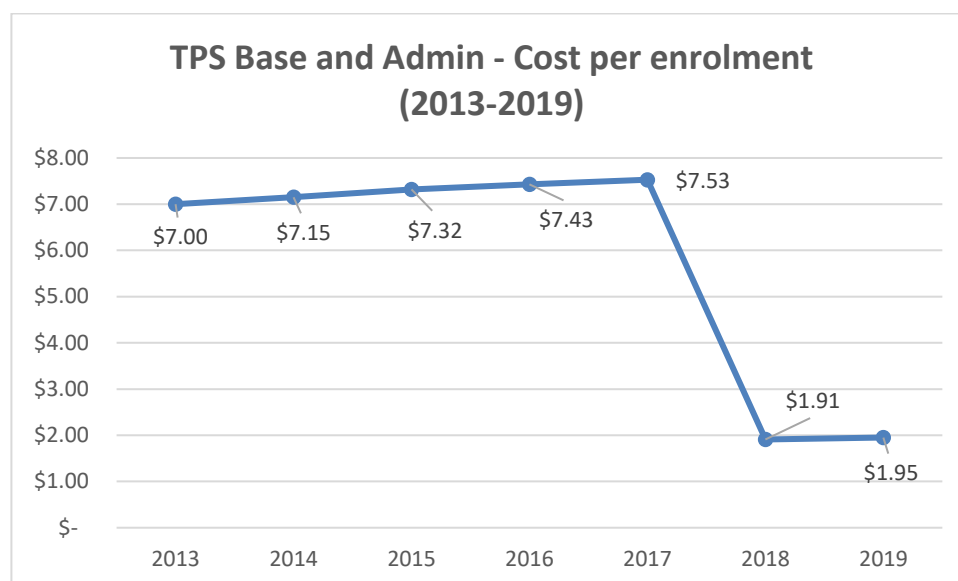


Figure 2 - TPS Base and Administration Fees - Cost per enrolment

Base and Administration Fees are paid by all CRICOS providers, including public providers. Base and Administration Fees represent a decreasing proportion of the TPS Levy collection, forming 49.5% of total levies collected in 2013, falling to 26.6% in 2019.

Risk Rated Premium

The underlying principle of the Risk Rated Premium component of the TPS levy is that providers must pay commensurate with their risk rating. Therefore, all public providers including Table A Universities, TAFES and public schools are exempt from payment of the Risk Rated Premium component of the levy.

The Risk Rated Premium represents the risk rating of providers against a range of factors recommended by the TPS Advisory Board to the TPS Director. The Risk Rated Premium is calculated by the below formula:

$$RRP = \text{Provider's previous year's international tuition fee income} \times \left(\sum \text{Risk factor scores} \right) \times \text{Specified Percentage}$$

The Specified Percentage rate is the overall modulator of the Risk Rated Premium. As the balance of the Fund strengthened and moved towards the lower bound of the TPS Advisory Board's strategic reserve target range, the Specified Percentage rate was reduced by 30% in 2016, by another 20% in 2017, and reduced again by 12.5% in 2018.

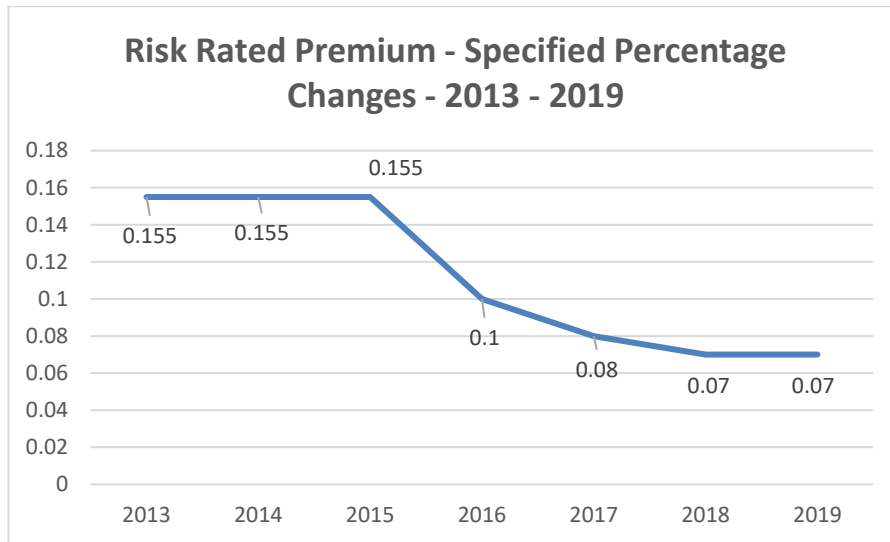


Figure 3 - Risk Rated Premium Specified Percentage Changes

The TPS Advisory Board consults with the sector before recommending the annual Risk Rated Premium settings to the TPS Director.

Special Tuition Protection Component

Before the beginning of each year, the TPS Director must, by legislative instrument, specify a percentage for the Special Tuition Protection Component for that year. This component of the levy has not been activated by the TPS Director since the inception of the TPS. If activated, the Special Tuition Protection Component is payable by all providers.

Collection of the annual TPS Levy

The TPS Levy is collected in the first half of each year. The TPS Director holds information sessions with providers early in the year to detail any changes made to the TPS Levy, and to detail the process for levy collection. Invoices for the TPS Levy amounts are issued in May. The chart below details the TPS Levy collection amounts over time.

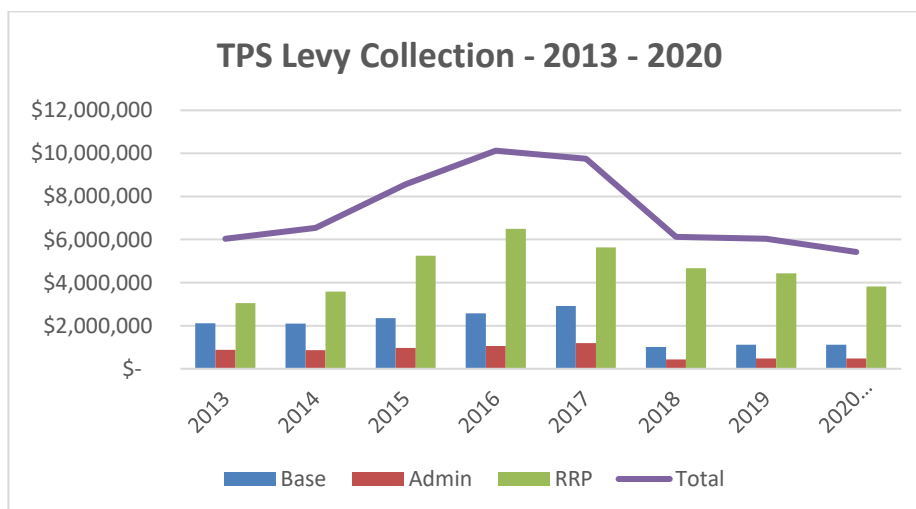


Figure 4 - TPS Levy collection