

APPENDIX 3 ANNUAL REPORT OF THE TUITION PROTECTION SERVICE

The Tuition Protection Service (TPS) is a placement and refund service for international students on a student visa who have been affected by an education provider closure. The TPS may also assist students who have withdrawn or not started their course and are eligible for a refund of tuition fees.

An annual TPS levy, paid by all Commonwealth Register of Institutions and Courses for Overseas Students (CRICOS) registered providers, is paid into the Overseas Students Tuition Fund (OSTF). The levy income is used to build reserves in the OSTF and to fund TPS operations.

This report summarises the activities of the TPS from 1 July 2017 to 30 June 2018, in compliance with the *Education Services for Overseas Students Act 2000* (ESOS Act). It includes an assessment of issues affecting TPS operations, the outlook for the year ahead and any potential risks to the OSTF.

Governance

A statutorily appointed TPS Director and TPS Advisory Board (the Board) govern the TPS. The Board's primary function is to provide advice and recommendations to the TPS Director on the annual TPS levy, which all institutions delivering education services to international students must pay.

The Board comprises five specified government agency representatives and up to seven non-government members. There are currently four non-government members, including the Chair and Deputy Chair.

Table 5.5: Tuition Protection Service Advisory Board Members as at 30 June 2018

Position	Advisory Board member
Board Chair	Ms Helen Zimmerman
Deputy Chair	Dr Kevin Donnelly AM
Non-government member	Mr Peter Emmerton
Non-government member	Ms Karen Howard
Australian Prudential Regulation Authority representative	Mr Michael Horton
Department of Home Affairs representative	Ms Alice Maclean
Department of Finance representative	Ms Leonie McGregor
Department of Education and Training representative	Ms Karen Sandercock
Australian Government Actuary representative	Mr Guy Thorburn

A small secretariat provided by the department supports the TPS Advisory Board and TPS Director. The director is also supported by an external service provider, which is engaged to ensure students receive the appropriate support following a provider closure.

Operation of the Tuition Protection Service

The TPS delivers a world class tuition assurance service that is professional, responsive and transparent.

Over the 12 months to 30 June 2018, 13 closures displaced some 1,495 students. Of note this year was the closure in March of a larger English Language Intensive Courses for Overseas Students (ELICOS) provider. This resulted in 540 students being displaced, with the TPS already assisting 419 of these. This is a high number of resolved claims given the few months since closure. Once a provider has closed:

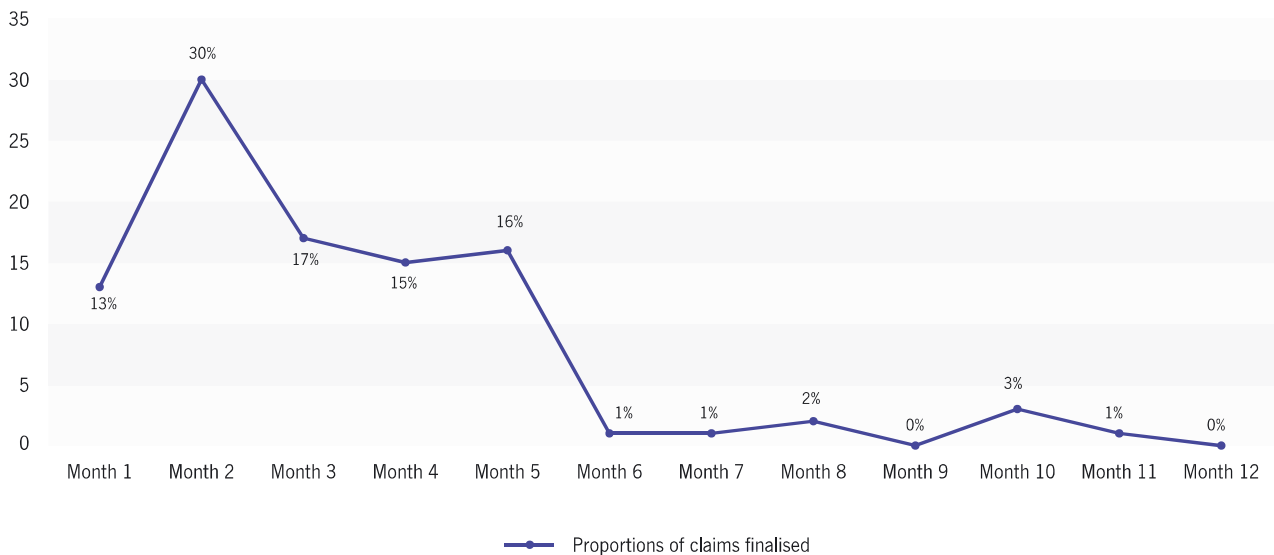
- TPS holds a meeting with affected students to inform them of visa arrangements and how the TPS can help them
- TPS helps students find placements with alternative providers
- students lodge proof of identification and evidence in support of their claims
- TPS assesses claims, assists students to settle into new placement or pays refund of unspent tuition.

Most students receive prompt assistance once they submit supporting evidence for their claim. However, there are a number of factors that can increase the time it takes to finalise claims:

- in the early stages after a closure, students are sometimes not aware that the TPS exists
- students may have difficulty locating and submitting information in support of their claim
- communication sometimes takes longer with offshore students
- the involvement of third parties (often agents) can make claims more complex and longer to resolve.

Figure 5.7 shows a typical pattern of claims trajectory following a closure. In this example, about 30 per cent of students were highly motivated and submitted necessary evidence within the first two months for their claim to be processed. After this, there is a gradual slowing of claims being made and a long tail with final claims received and processed between 12 and 24 months after the closure.

Figure 5.7: Proportion of claims finalised month by month following a provider closure



5 Appendices

The TPS enables students affected by a closure to continue their studies in Australia. Figure 5.8 shows to which countries in the world TPS assistance is paid. The vast majority of the funds paid remain in Australia. Amounts paid to students in other countries largely include those who were refused a student visa and those who had not yet arrived in Australia when the provider they had enrolled with closed. Many of these students go on to study with another provider in Australia.

Figure 5.8: Countries where Tuition Protection Service assistance paid

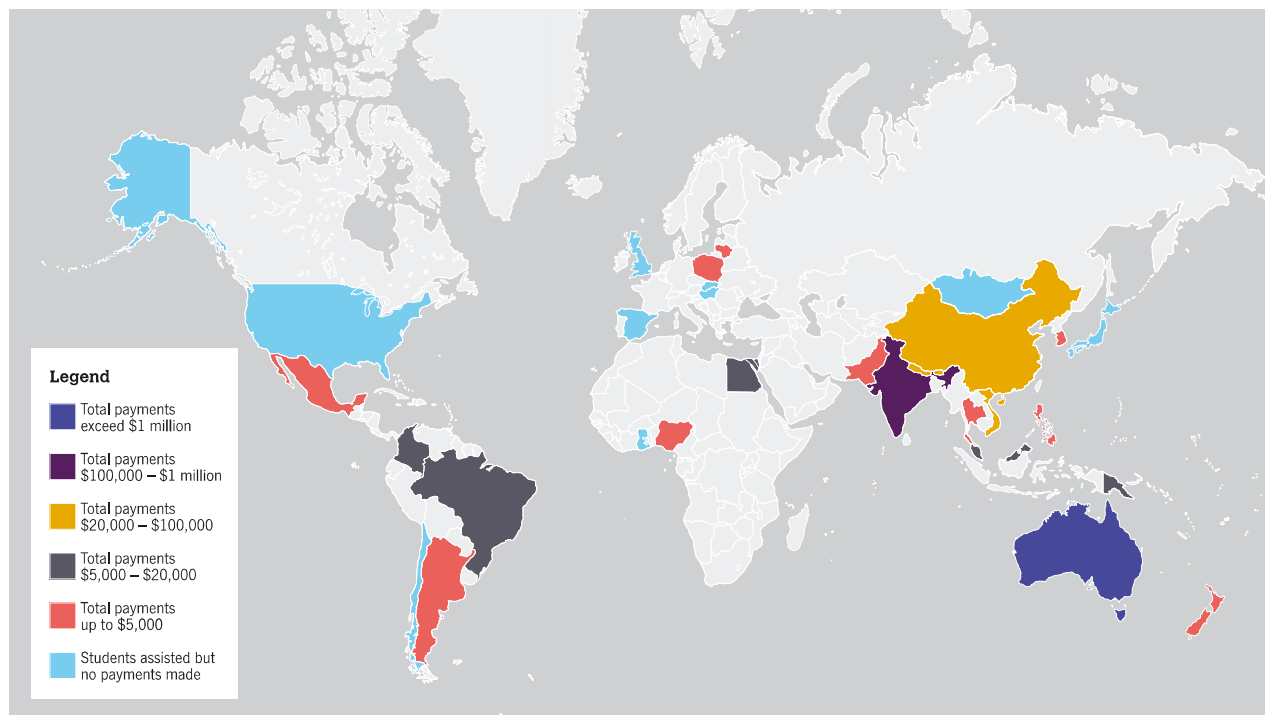


Table 5.6 shows six closures in which the TPS directly assisted students. It also shows seven instances in which, with TPS support, the providers met their obligations and TPS assistance to students was not required.

Some closures occur suddenly and require the TPS to provide immediate support to students. Others occur more slowly, with providers spending weeks or months on the brink of closure.

In some cases, those on the brink of closure experience financial difficulty, whereas others are under regulatory action. The TPS works with each of these providers to ensure students receive appropriate information and assistance during the period of uncertainty. The TPS also ensures, as much as it can, that it captures up-to-date student contact details. TPS activity includes written correspondence (including issuing formal notices under the ESOS Act), face-to-face meetings and ongoing dialogue, as well as monitoring student outcomes.

Although Table 5.6 shows only seven providers that closed and met their obligations to students, the TPS worked with a number of others, which do not appear on the list but were able to recover and continue delivering courses to international students.

The TPS strives to assist and encourage education providers to meet their obligations to students, and in over six years of operation, the majority of providers affected by regulatory action met their obligations to students. Active cooperation between the TPS, regulators and providers is proving effective in minimising the disruption to international students' study in Australia.

Table 5.6: Provider closures and students displaced in 2017–18

Provider	Sector	Number of students displaced/assisted	Number of students placed or refunded by the TPS	Default reason
Provider 1	VET	0	0	Business failure
Provider 2	VET	154	0	Regulatory action
Provider 3	VET	49	0	Regulatory action
Provider 4	VET	42	22	Business failure
Provider 5	VET	410	0	Regulatory action
Provider 6	VET	121	4	Regulatory action
Provider 7	VET	540	419	Business failure
Provider 8	VET	0	0	Regulatory action
Provider 9	VET	12	1	Business failure
Provider 10	VET	12	1	Regulatory action
Provider 11	VET	42	1	Regulatory action
Provider 12	VET	113	0	Regulatory action
Provider 13	VET	149	0	Regulatory action
Total:		1,495	448^a	

^a The number of students placed or refunded is less than the calls made (see Table 5.7) because calls relate to the number of enrolments. As many students had more than one enrolment, sometimes several, there is a discrepancy between number of calls and number of students.

Table 5.6 also shows that the Australian Skills Quality Authority (ASQA) has been active in the sector, which led to nine closures of providers who did not meet the required standards. The TPS worked with these providers to assist them to meet their obligations to students. As a result, only two students from these closures required TPS assistance.

The TPS Director is supported in his role of providing assistance to students by Vincents Chartered Accountants, which is contracted to provide a closure and student claim management service. The current contract expires on 31 January 2019 with an option to extend for up to two additional years.

2018 Tuition Protection Service Levy: settings and collection

In 2018, the TPS continued on a pathway of reducing the levy imposed on the sector. Of note is the 75 per cent reduction in the administrative and base fee components for 2018 and a further reduction in the risk rated premium. The cumulative effect in levy adjustments over the past three years has resulted in a more than 50 per cent reduction in levy paid by non-exempt low risk providers.

In formulating the levy settings, the Board and the TPS Director aim for an appropriate balance between ensuring there are sufficient reserves in the Overseas Students Tuition Fund (OSTF) to meet potential demand while ensuring the levy collected is reasonable for providers and reserves accumulated are not excessive.

5 Appendices

In finding this balance, the Board seeks advice from stakeholders across the sector including industry peak bodies, the regulators and the Australian Government Actuary.

As at 30 June 2018 the balance in the OSTF was a healthy \$36.4 million which is within the TPS Advisory Board's 2017 reserves target of \$30 million to \$50 million. The Board reviews this target each year and adjusts as necessary.

In 2018, \$6 million was collected from across the international education sector, which was about \$3 million less than was collected in 2017.

The TPS levy is made up of the following four components:

- administrative fee
- base fee
- risk rated premium
- special tuition protection component.

With advice from the Board, the TPS Director determines the levy settings for the risk rated premium (which is only paid by private providers) and the special tuition protection component (which is payable by all providers). To date, since the TPS was established, the special tuition protection component has not been activated.

As the reserves in the OSTF have been rising over recent years, the TPS Director has sought to reduce the amount collected by reducing the risk rated premium. However, this carries the risk of dampening the incentive for higher risk providers to reduce their level of risk, and also does not reduce the amount paid by universities and other lower risk public providers.

Consequently, on advice from the department and the Australian Government Actuary, the Minister made a legislative instrument in 2017 to reduce the administrative and base fee amounts by 75 per cent which has benefitted all education providers and resulted in a slowing of the growth in reserves.

The Minister's changes to the levy settings have been welcomed by industry.

Each year a post implementation review is undertaken of the levy collection process. In 2018, the process of collection progressed smoothly, with no significant issues raised by CRICOS providers or sector peak bodies. By 30 June 2018, all providers had paid the levy.

Working with stakeholders

The TPS is part of the international education sector's broad regulatory and consumer protection framework. The TPS Director engages and works co-operatively with a range of stakeholders to help maintain and improve Australia's world-class international education sector.

Each closure, depending on its circumstances, usually requires the input and collaboration of a number of agencies including state and territory governments, the Department of Home Affairs, ASQA and the Tertiary Education Quality Standards Agency (TEQSA). The TPS continues to maintain close working relationships with these agencies, which ensures that it is able to respond to regulatory action in a proactive and constructive manner to achieve good outcomes for students. During 2017–18, the TPS renewed its memoranda of understanding with both TEQSA and ASQA.

The TPS continues to work closely with the Overseas Students Ombudsman (OSO) to resolve disputes between providers and international students over the payment of tuition fee refunds.

The TPS Service Charter sets out our service standards, communication protocols and decision review options. It was updated in 2017 and is designed for students and other stakeholders in the international education sector. The charter can be found on the TPS website: www.tps.gov.au.

Outlook for the year ahead

The international education sector of the past six years or so is characterised by sustained and strong enrolment growth; however, the risks associated with this include:

- potential inability of the education infrastructure to keep up with demand and for quality to be maintained
- potential for business failure among providers and consequent displacement of affected students if there is a sudden fall in enrolments.

The general economic conditions in Australia appear benign and Australia's education system has good credentials in terms of quality. These combine to make Australia an attractive destination for overseas students.

The Government is taking a keen interest in international education with a number of reviews, reforms and marketing strategies. The regulators are identifying and putting in place measures to mitigate sector specific risks as they arise.

The size (in terms of number of providers) and shape of the industry (in terms of distribution of providers across sectors) appears to be quite stable. There has been comparatively large churn of providers in the private VET sector and it is this sector that has seen the largest number of provider closures in which the TPS has become involved.

The number and distribution of providers has remained largely stable. The source country mix has elements of stability (several years of approximately 40 per cent of students coming from China and India) and diversification with new markets like Nepal and Brazil growing rapidly.

As the average size of providers has grown, the scale of risk has grown with it. Although there have not been many closures to date, it is likely that claims per provider closure are likely to be significantly higher than they have been in recent years. For this reason the TPS will be monitoring the level of reserves in the OSTF, and ensuring the reserves target is reviewed from time to time and adjusted as conditions dictate. The TPS positions itself where it is able to meet demand should there be a significant and sustained fall in the international education market.

The above issues highlight the current strength in the international education sector and some of the challenges it may face in the years ahead.

The TPS Director would like to take this opportunity to thank the Chair of the Board, Ms Helen Zimmerman and members of the Board for their support, sage advice and guidance over the past twelve months.

Placement and payment activity 2017–18

Table 5.7: Tuition Protection Service calls 2017–18

Calls on the OSTF	Quantity
Total calls made on the OSTF during 2017–18	1,897 ^a

^a The number of calls relates to the number of enrolments against which a call was made. As many students had more than one enrolment, sometimes several, there is a discrepancy between number of calls and number of students. See Table 5.6 for number of students who were placed or paid a refund.

5 Appendices

Table 5.8: Tuition Protection Service placement activity 2017–18

Number of students placed by the TPS		
Within 30 days	Over 30 days	Total
36	52	88 ^a

^a More than 88 students have been found a placement during the year which, due to system limitations, are not identified through TPS on-line system. Also, many of the students who received a refund from the TPS (see Table 5.9) went on to continue their studies in Australia.

Table 5.9: Time taken to make payments from the Overseas Students Tuition Fund 2017–18

	Refunds to students		Payment to providers		Total paid \$'000
	Within 30 days	31 days and over	Within 30 days	31 days and over	
Payments made to students during 2017–18 who were affected by closures which occurred between 1 July 2012 and 30 June 2018	702	718	36	52	\$2,707

Table 5.10: Financial status of the Overseas Students Tuition Fund

Status of the Overseas Student Tuition Fund	\$'000
Opening balance at 1 July 2017	\$34,579
TPS annual levy collected	\$6,106
Other revenue collected	\$29
Total revenue	\$6,135
Student and provider payments	(\$2,707)
TPS administrator services	(\$1,332)
Other operational/administrative expenses ^a	(\$242)
Total expenditure	(\$4,281)
Balance as at 30 June 2018 ^b	\$36,433

^a Other expenditure relates to TPS operations, TPS Advisory Board meetings, legal and actuarial advice and other sundry items.

^b As at 30 June 2018, the annual financial statements (refer to Note H2) disclose the balance of the OSTF as \$36,890 on a cash basis. The difference between this balance and the above table is due to the inclusion of non-cash transactions.

Note: In 2017–18, three students and four education providers received an overpayment of their entitlement under the Tuition Protection Service (TPS) due to a systems error. This resulted in overpayments totalling \$118,285 being incorrectly paid from the Overseas Students Tuition Fund (OSTF). This systems error has been rectified and controls put in place to prevent similar events occurring in the future. All the overpayments were repaid by affected recipients and remitted to the OSTF.