

APPENDIX 3—TUITION PROTECTION SERVICE ANNUAL REPORT

Introduction

The Tuition Protection Service's (TPS) main objective is to promote and safeguard the reputation of Australia's international education sector. The TPS, underpinned by the *Education Services for Overseas Students Act 2000* (ESOS Act), supports international students affected by education provider's default or closure by either arranging a placement in an alternative course or by refunding their unspent tuition fees. It has been operational since 1 July 2012.

This report provides a brief summary of the activities of the TPS from 1 July 2016 to 30 June 2017, issues affecting the operation of the TPS and some comments on the future outlook. The report is provided as required by section 170B of the ESOS Act.

Governance and structure

The TPS governance and structure includes:

- a Ministerially-appointed TPS Director accountable for management of the TPS and the Overseas Students Tuition Fund (OSTF)
- an advisory board comprising of government and non-government discretionary representatives
- a departmentally funded team providing administrative and operations support
- the TPS Administrator, a contracted service provider.

TPS Administrator

The TPS Administrator supports the TPS Director and manages the TPS online facility and interactions with students affected by provider closures. The Administrator provides claims and case management services on a flexible and scalable basis.

During 2016–17 an open tender process for the Administrator was conducted. In February 2017 the TPS entered into a two-year services contract with Vincents Chartered Accountants. Prior to this, the contract was held by PriceWaterhouseCoopers Australia.

TPS Advisory Board

During 2016–17 the terms of eight board members expired. Ms Susan Antcliff (Australian Government Actuary) and Mr Michael Horton (Australian Prudential Regulation Authority) were reappointed as government members to the board. Ms Karen Sandercock (Department of Education and Training), Ms Alice MacLean (Department of Immigration and Border Protection) and Dr Richard Bartlett (Department of Finance) were newly appointed as government members. Dr Kevin Donnelly AM was reappointed as deputy chair of the board for a term of two years. Dr Donnelly acted as Board Chair for a period of 18 months.



Ms Helen Zimmerman was appointed Board Chair with Ms Karen Howard and Mr Peter Emmerton appointed as discretionary members.

Ms Helen Ujvary and Mr Michael Manetta retired from the Board at the expiry of their terms.

Table 5.5: Tuition Protection Service Advisory Board Members as at 30 June 2017

Position	Advisory Board Member
Board Chair	Ms Helen Zimmerman
Deputy Chair	Dr Kevin Donnelly AM
Representative from the Department of Education and Training	Ms Karen Sandercock
Representative from the Department of Finance	Dr Richard Bartlett
Representative from the Department of Immigration and Border Protection	Ms Alice Maclean
Representative from the Australian Government Actuary	Ms Susan Antcliff
Representative from the Australian Prudential Regulation Authority	Mr Michael Horton
Discretionary member	Mr Peter Emmerton
Discretionary member	Ms Karen Howard

Operations

The 2016–17 financial year proved to be a challenging year on many fronts.

After relatively benign years of operations, closures of large and multi-sector providers required an extraordinary level of activity from the TPS to ensure a responsive and timely service to affected international students. This was particularly challenging as the TPS was transitioning to a new Administrator at the same time. Another challenge was dealing with changes to available resources and the impact this had on the effectiveness of the TPS operations.

The TPS operations in 2016–17 were impacted by robust regulatory scrutiny by the two national regulators: the Australian Skills and Quality Authority and the Tertiary Education Quality Standards Agency. During the year there were nine provider closures affecting 2694 students. All nine closures were due to business failure, though some of the providers decided to go down the path of voluntary administration or liquidation following regulatory action. Further details about these closures are in Table 5.6.

Part 5

Table 5.6: Provider closures and students displaced in 2016–17

Provider	Sector	Number of students displaced	Number of calls finalised	Default reason
Provider 1	Multi	1,086	680	Business Failure
Provider 2	VET	104	52	Business Failure
Provider 3	VET	12	10	Business Failure
Provider 4	VET	65	0	Business Failure
Provider 5	VET	476	14	Business Failure
Provider 6	VET	0	0	Business Failure
Provider 7	VET	428	1	Business Failure
Provider 8	Higher Ed	518	13	Business Failure
Provider 9	VET	5	0	Business Failure
	Total:	2,694	770	

The TPS worked proactively with defaulting providers to minimise disruption for affected students and to safeguard the OSTF.

There were approximately 1415 calls made on the OSTF. In 2016–17, 770 calls were finalised resulting in payments from the OSTF totalling \$2.1 million. A large gap between the calls made on the OSTF and numbers finalised is due to timing of the calls made. A number of the finalised calls in 2016–17 related to closures from previous years. During the year the TPS also facilitated placement of 151 students. Further details are in Tables 5.7 and 5.8 below.

Table 5.7: Tuition Protection Service calls on the OSTF, 2016–17

Calls on the Overseas Students Tuition Fund	Quantity
Calls made on the OSTF during 2016–17	1,415

Table 5.8: Tuition Protection Service placement activity, 2016–17

Number of students placed by the TPS		
within 30 days	over 30 days	total
82	69	151



Sustainability of the OSTF

Ensuring sustainability of the OSTF is one of the key accountabilities of the TPS Director. The continued focus on proactive and timely management ensures calls on the OSTF are minimised.

Despite more being paid out of the Fund in 2016–17 than in any of the previous four years of the TPS operations, the OSTF remains in a sound position.

The healthy financial position of the OSTF led the TPS advisory board to the view that it would be appropriate to continue tapering the TPS levy collection. The board accordingly recommended reduction of the specified percentage rate for the risk rated component of the levy by 20 per cent. There were no other adjustments to the levy framework. This meant that all non-exempt providers enjoyed a saving of 20 per cent on the risk rated premium component of the levy.

There is a tacit acknowledgement by the industry that most providers are paying less for student protection arrangements compared to what they were paying under the previous tuition assurance schemes. There is also a general acceptance that the resulting sustainability of the OSTF is a positive development, and contributes to Australia's strong reputation for providing world-leading student protection for international students.

As at 30 June 2017 the balance of the OSTF was approximately \$34.6 million. This comfortably exceeds the target of \$20.0 million to be achieved by December 2016, which was set by the Board in 2013 for a minimum strategic reserve in the Fund.

During the early years of TPS operations and the build-up phase of the OSTF, the TPS put in place extra protection for the fund through commercial insurance arrangements. Taking into account the strong position of the OSTF and that it was comfortably above the board's target of \$25.0 million for self-insurance and its confidence in the ability of the TPS to manage claims, in June 2017 the board decided it was appropriate for the fund to rely on self-insurance and discontinue the commercial insurance arrangements.

Working with stakeholders

The success of the TPS arrangements is dependent on the ongoing goodwill and cooperation of various industry stakeholders and their confidence in the TPS arrangements. The TPS strives to foster and maintain closer and productive working arrangements with all stakeholders and ensure its conduct is always open, honest and transparent.

The TPS ensures that it consults regularly with all key stakeholders and education providers on matters of importance and interest to the sector. Each year the TPS engages with the sector on TPS related matters, including through annual information sessions for providers in most capital cities.

The TPS board engages directly with sector representatives when making its recommendations on the annual TPS levy settings, in addition to taking into consideration advice from the Australian Government Actuary and the sector outlook from the two national regulators. Stakeholders are also consulted on the draft levy parameters and the board takes into account sector feedback before finalising its recommendations to the TPS Director.

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

Part 5

The TPS has a close and productive working relationship with the national regulators. Effective and early notification to the TPS of relevant regulatory action by the regulators helps the TPS deliver timely and responsive assistance to students affected by provider defaults.

The TPS has cultivated a strong relationship with relevant state and territory government stakeholders. The TPS is grateful to the Victorian Government's Study Melbourne Student Centre and the Western Australian Government's Education Conciliator for valuable support to students affected by recent provider closures. The TPS also has an effective and productive relationship with the Overseas Students Ombudsman (OSO). The OSO frequently refers complaints received from international students, mostly about fee refunds from their provider. During the year, 48 complaints were referred by the OSO to the TPS for investigation, of which 40 have been finalised and eight were subject to ongoing investigation as at 30 June 2017.

Outlook for the year ahead

The international education sector has entered its fifth year of continuous growth. In addition, there are expectations for the continued growth of the sector, especially following recent developments in United Kingdom (e.g. Brexit) and the United States of America.

The fall-out from media reporting of unscrupulous conduct of VET FEE-HELP providers continues with wide coverage of recent closures of a number of high profile providers. However, it also points to the effective work of the national regulators in bringing these providers to account.

After a series of reviews and investigations into the VET FEE-HELP loan arrangements, the government established the VET Student Loans (VSL) scheme. VSL assists eligible students enrolled in approved higher-level vocational education and training courses with approved course providers to pay their tuition fees. VET FEE-HELP providers were required to apply for the new VSL program. A number of existing providers of VET FEE-HELP including some registered on the Commonwealth Register of Institutions and Courses for Overseas Students (CRICOS), either did not apply for, or were not approved for the new scheme. The TPS continues to monitor developments in this area and any impact on international students.

The Government has announced a higher education reform package aimed at improving the sustainability of higher education and has also introduced the *Education Legislation Amendment (Provider Integrity and Other Measures) Bill 2017* in Parliament which aims to bolster enforcement powers for the regulators, enabling them to prevent practices by unscrupulous providers across the higher education sector.

The newly established Council for International Education is making progress with implementation of the National Strategy for International Education, with recent approval and funding for 14 projects. A coherent and coordinated approach to international education is a significant development.

Education providers support to the TPS

This year, the TPS dealt with two of its largest closures to date. For both closures the TPS received significant assistance from a number of providers. At the request of the TPS, these providers made significant resources available to manage student placements activity including offers of targeted assistance (including special assistance packages and fee discounts) to affected students. Providers also attended a number of student meetings organised by the TPS.

The most recent closure displaced just over 2000 international students. The TPS was in touch with students quickly and ran eight information sessions over two weeks.



At one of the sessions for higher education students, the TPS received strong feedback that students were seeking more targeted and tailored assistance. Taking this feedback on board, the TPS arranged another information session for students in Western Australia, which would not have been possible without the assistance of providers. Eight higher education providers made a significant investment of resources and agreed to provide targeted assistance to affected students and made themselves available for student meetings at very short notice. The providers were able to give students detailed information on their options for continuing study, including information on tuition fees, fee discounts and course credits. Some 200 higher education students attended these provider sessions.

The TPS and providers continue to assist students affected by a large closure with placements or refunds of their unspent tuition fees. The resources that were invested by several providers in a short space of time demonstrated a shared commitment to safeguarding the sector's reputation.

Placement and payment activity for 2016–17

Table 5.9: Time taken to make payments from the Overseas Students Tuition Fund, 2016–17

	Refunds to students		Payment to providers		
	within 30 days	31 days and over	within 30 days	31 days and over	total paid \$'000
Payments made to students during 2016–17 who were affected by closures which occurred between 1 July 2012 and 30 June 2017	394	354	13	13	\$2,061
Payments made to students during 2016–17 affected by closure which occurred before July 2012	0	0	0	0	0
Total	394	354	13	13	\$2,061

Note: The numbers in the table above do not reconcile with total number of calls finalised as some calls may result either in 'no' or multiple payments.

Table 5.10: Financial status of the Overseas Students Tuition Fund

Status of the Overseas Students Tuition Fund \$'000	Amount
Open balance at 1 July 2016	\$28,167
TPS annual levy collected	\$9,756
Total revenue	\$9,756
Student and provider payments	\$2,061
Other operational/administrative expenses	\$1,283
Total expenditure	\$3,344
Balance as at 30 June 2017	\$34,579