

# APPENDIX 3—ANNUAL REPORT OF THE TUITION PROTECTION SERVICE



## Introduction

The Tuition Protection Service (TPS), a placement and refund service for international students, has now been operating for four years. It is underpinned by the *Education Services for Overseas Students Act 2000* (ESOS Act) and provides support to international students affected by an education provider default or closure. The TPS supports international students by either arranging a placement in an alternative course, or refunding their unspent tuition fees.

In a year of considerable activity, which included a number of provider closures, the TPS has continued to focus on delivering its core objective of protecting and strengthening the reputation of Australia's international education sector by supporting and protecting international students in Australia.

In accordance with the requirements of the ESOS Act, this report provides a brief summary of the activities of the TPS from 1 July 2015 to 30 June 2016, issues affecting the operation of the TPS, and a brief commentary on the outlook for the year ahead.

## Operations

The TPS operations in 2015–16 were impacted by ongoing regulatory scrutiny by the two national regulators: the Australian Skills and Quality Authority; and the Tertiary Education Quality Standards Agency; and media coverage of unscrupulous practices by some providers. A combination of regulatory action and media coverage resulted in the closure of a number of education providers. During the year there were 12 provider closures affecting 1534 students. Most of these closures (9) were due to the work of the national regulators taking action against providers not meeting the quality standards required to operate in Australia. The remaining three closures were due to business failures. Further details about these closures are in the Table 5.5.

Table 5.5: Provider closures and students displaced in 2015–16

Provider	Sector	Number of students displaced	Number of students assisted by TPS	Default reason
Provider 1	Schools	69	26	Regulatory action
Provider 2	VET	67	12	Regulatory action
Provider 3	VET	19	1	Regulatory action
Provider 4	VET	250	0	Regulatory action
Provider 5	ELICOS	89	44	Business failure
Provider 6	VET	197	0	Regulatory action
Provider 7	VET	566	0	Regulatory action
Provider 8	ELICOS	151	0	Regulatory action
Provider 9	VET	22	0	Business failure
Provider 10	VET	43	0	Regulatory action
Provider 11	VET	1	0	Regulatory action
Provider 12	VET	60	58	Business failure
<b>Total number of students</b>		<b>1534</b>	<b>141</b>	

The TPS worked proactively with defaulting providers to minimise disruption for affected students and to safeguard the Overseas Students Tuition Fund (OSTF). This was achieved by ensuring, where possible, providers met their obligations to affected students. As a result, most providers that closed due to regulatory action met their obligations, thus limiting the number of calls on the OSTF.

Of the 12 provider closures in 2015–16, only six required the provision of assistance to students by the TPS. This continues a positive trend in which the proportion of closures requiring assistance to students from the TPS is declining. In the period from 2012–13 to 2014–15, eight of the 14 provider closures required TPS assistance with placement and refund to students.

Of the 1534 students affected by a closure in 2015–16, 289 calls were made on the OSTF. In addition, there was a call from a student affected by a provider closure before TPS commenced. In 2015–16, a total of 187 calls were finalised resulting in payments from the OSTF totalling \$1,059,477. A number of these finalised calls had been initiated in previous years. During the year TPS also facilitated placement of 56 students affected by a provider closure in Melbourne.



## Tuition Protection Service provides timely and responsive intervention

The TPS aims to safeguard and protect the reputation of Australia's international education sector. This includes providing timely, effective and highly responsive support to students affected by a provider default. The TPS works closely with other stakeholders to ensure all affected students are protected.

In August 2015 the TPS Director was advised of the sudden collapse of a medium-sized provider of English languages courses on the Gold Coast, Queensland. The provider had been placed into administration the day before. The administrator had taken steps to immediately stop teaching. The TPS engaged immediately with the appointed administrator. Within three days, the TPS held a meeting with affected students to provide information about the assistance available to them, and the processes involved in obtaining assistance.

The TPS also advised English Australia of the collapse of the provider, which offered to provide immediate assistance to enable the TPS to place students as quickly as possible.

The TPS was able to directly assist the students studying on international student visas to find alternative providers or obtain a refund for their unspent tuition fees.

However, the TPS also learned that a significant number of affected students were in Australia on other visa types, which meant they were not eligible for TPS assistance. The TPS brought this situation to the attention of English Australia, which were able to place these students with alternative providers. Together, the combined efforts of TPS and English Australia minimised disruption for all of the students and assisted to safeguard and protect the reputation of Australia's international education sector.

## Sustainability of the Overseas Students Tuition Fund

At the end of the fourth year of the TPS operations, the OSTF is in a sound position. This is as a result of the current benign claims environment and the prudent and proactive management of provider defaults by the TPS. The relatively low level of claims on the OSTF, combined with the steady increase in enrolments of international students over the last three years, has contributed to the sustainability of the OSTF.

During this period, the TPS levy strategy has remained broadly consistent. The goal has been to raise sufficient revenue to assist affected students and to make contributions to a strategic reserve to ensure sustainability of the OSTF. The levy collection has been smooth and effective with very few issues or complaints from providers.

Over the first three years of the levy, there was minimal change to the levy settings for the risk rated component, which is paid by all non-exempt (private) providers.

## Part 5

The specified percentage rate for the risk rated component of the levy remained unchanged for the first three years. Taking into account the relatively healthy position of the OSTF, and in anticipation of a continuing benign environment with a low level of claims, the TPS Advisory Board recommended tapering of the risk rated component of the levy for 2016. As a result, the specified percentage rate for the risk rated component of the levy was reduced by about one third. At the same time, the proportion of the levy met by providers rated as having a high risk was increased through adjustment to the risk factors weights. This meant that most providers with a lower risk rating made a saving on their risk rated component of the levy.

At the commencement of the TPS there was a level of apprehension about the TPS levy settings and the potential financial impost on providers. Most providers now acknowledge that they are paying less for student protection arrangements compared with what they were paying prior to the TPS. There is also a general acknowledgement that the resulting sustainability of the OSTF is a positive development, and contributes to Australia's strong reputation as a destination of choice for overseas students.

As at 30 June 2016 there is a balance of approximately \$28.2 million held in the OSTF. This exceeds the short-term strategic reserve target of \$20 million by the end of 2016 set by the TPS Advisory Board in 2013. Even with reserves at this level, the OSTF remains vulnerable to a large and unexpected increase in claims and strategies are needed to manage this risk. This potential risk has increased over the last few years as the number of overseas students has increased, and as the number of larger individual providers has increased. A failure of one of the top 10 providers, although unlikely, has the potential to exhaust the current OSTF reserve. To protect against this risk, the TPS Board advised that the insurance arrangements should be continued for another year in 2016–17.


During the 2016 levy collection period, the TPS once again analysed the income declarations made by providers. Discrepancies and inaccuracies in these declarations by some providers required considerable follow up by the TPS operations team. This analytical work is providing the TPS with a better insight into provider operations and the factors that impact on the tuition fee incomes of providers. The TPS will continue to work in a constructive and facilitative way with providers to achieve a higher level of compliance and transparency in their tuition fee income declarations.

## Working with stakeholders

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

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

In recommending the annual TPS levy settings, the TPS Advisory Board takes into consideration advice from the Australian Government Actuary, and the sector outlook from the two national regulators and engages directly with the sector representatives. The stakeholders are consulted on the draft levy and their feedback is taken into account before the Board finalises its recommendations, which are then provided to the TPS Director in the lead up to the making of a legislative instrument which specifies the levy settings for the following year.



The TPS strives to assist and encourage education providers to meet their legislative obligations to students. Over four years of operation, a majority of providers affected by regulatory action met their obligations to assist students. Although the numbers are low, this would suggest that the collaborative work between the TPS, the sector regulators and providers is proving effective in minimising the disruption to international students' education experience in Australia.

The TPS continues to work closely with the Overseas Students Ombudsman (OSO) to address complaints received from international students about a range of issues concerning their Commonwealth Register of Institutions and Courses for Overseas Students (CRICOS) provider. During the year, 38 complaints were referred by the OSO to the TPS for investigation, of which 32 have been finalised and six were subject to ongoing investigation as at 30 June 2016.

## Deregulation

As part of the Government's deregulation agenda, the TPS removed a considerable amount of the reporting and administrative burden on education providers in relation to:

- student default reporting
- recording of study periods
- limits on collection of the course fees before commencement.

Amendments to the ESOS Act were passed in December 2015.

## Review

A post implementation review of the TPS was conducted by the Office of Best Practice Regulation in 2013–2014 and published in July 2015. The review found the TPS to be a beneficial addition to Australia's international education sector. A copy of the review report can be found on the website of the Office of Best Practice Regulation at <https://ris.dpmc.gov.au>.

## Outlook for the year ahead

The past 12 months have seen a number of positive developments in the international education sector in Australia. International student data indicates growth in total enrolments and commencements of 11.9 per cent and 12.7 per cent respectively from March 2015 to March 2016.

In April 2016 the Government released the *National Strategy for International Education 2025* and the *Australian International Education (AIE) 2025 roadmap*. Together these documents set out a 10-year plan for developing Australia's role as a global leader in education, training and research.

In response to a series of reviews and investigations into access to the VET sector and the VET FEE-HELP loan arrangements, a discussion paper was released on 27 April 2016. The paper is in response to concerns over course quality, probity, and the conduct of some providers, including unethical practices, and low completion rates. It sets out the original intentions of the program, the rapid growth since 2012, and the escalation in costs to taxpayers and students. The TPS will continue to monitor developments in this area and any impact on international students.

## Part 5

The *Driving Innovation, Fairness and Excellence in Higher Education* policy options paper, released in May 2016, sets out potential reforms to support a stronger, more innovative and responsive higher education system that preserves equity of access and financial sustainability. Key areas of discussion include: the ability of universities to attract additional revenue in courses where they have developed particular expertise, and adjustments to the HELP student loan scheme.

### Placement and payment activity 2015–16

Table 5.6: Tuition Protection Service calls on the Overseas Students Tuition Fund, 2015–16

Calls on the Overseas Students Tuition Fund	Quantity
Total calls made on the OSTF during 2015–16	290

Table 5.7: Tuition Protection Service placement activity 2015–16

Number of students placed by the TPS		
Within 30 days	Over 30 days	Total <sup>a</sup>
0	0	0

a While the TPS has been active in assisting providers to meet their obligations and helping to find placements for students outside of the TPS system, the TPS was not officially called upon to find placements for students. All the students who received a refund from the TPS (see Table 5.5) had either chosen to find their own placement or had their visa refused (63), or were related to a closure that occurred before the TPS was established (1).

Table 5.8: Time taken to make payments from the Overseas Students Tuition Fund 2015–16

	Refunds to students		Payment to providers		Total paid
	Within 30 days	31 days and over	Within 30 days	31 days and over	
Payments made to students during 2015–16 who were affected by closures which occurred between 1 July 2012 and 30 June 2015	46	141	0	0	\$1,059,477
Payments made to students during 2015–16 affected by closures which occurred before 1 July 2012	0	1	0	0	\$4,805
<b>Total</b>	<b>46</b>	<b>142</b>	<b>0</b>	<b>0</b>	<b>\$1,064,282</b>

Table 5.9: Financial status of the Overseas Students Tuition Fund

Status of the Overseas Students Tuition Fund <sup>a</sup>	\$,000
Opening balance at 1 July 2015	\$19,869
TPS annual levy collected	\$10,101
Other revenue collected	\$25
Total revenue	\$10,126
Student and provider payments	\$1,064
TPS administrator services	\$252
Other operational/administrative expenses	\$511
Total expenditure	\$1,827
Balance as at 30 June 2016	\$28,168

a OSTF is reporting on a cash basis from 2014–15 onwards.

Table 5.10: Tuition Protection Service Advisory Board Members in 2015–16

Position	Advisory Board Member
<b>Board Chair</b>	Mr Peter Grant until 5 August 2015 Dr Kevin Donnelly AM Acting Chair from 5 August 2015
<b>Representative from the Department of Education and Training</b>	Ms Anne Baly until 11 December 2015 Mr Adam Luckhurst from 4 May 2016
<b>Representative from the Department whose Minister administers the Public Governance, Performance and Accountability Act 2013</b>	Mr David Weiss until 31 December 2015 Mr Mark Thomann from 17 March 2016
<b>Representative from the Department administered by the Immigration Minister</b>	Ms Sophie Montgomery until 31 December 2015 Ms Chloe Bird from 17 March 2016 to 8 June 2016
<b>Representative from the Australian Government Actuary</b>	Ms Susan Antcliff
<b>Representative from the Australian Prudential Regulation Authority</b>	Mr Michael Horton
<b>Other member</b>	Mr Michael Manetta
<b>Other member</b>	Ms Helen Ujvary