

## Appendix C – Annual Report of the Tuition Protection Service

The Tuition Protection Service (TPS) was established in 2012 to assist international students affected by the closure of an education provider. From 1 January 2020, TPS responsibilities have expanded to cover domestic students receiving income contingent loans through the Vocational Education and Training (VET) Student Loans (VSL) program or the Higher Education Loans Program (HELP) for students studying with non-government education providers.

The TPS helps students by:

- placing them into a similar course with an alternative institution
- providing a refund of tuition fees paid in advance for parts of the course that were not provided to the student
- crediting a student's HELP balance.

The TPS may also assist international students who have not started their course or withdrawn, and who are eligible for a refund of tuition fees paid in advance.

This report summarises TPS activities from 1 July 2019 to 30 June 2020, 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
- any potential risks to the Overseas Students Tuition Fund (OSTF), the HELP Tuition Protection Fund and the VSL Tuition Protection Fund.

During the first half of 2019–20 the growth trend of previous years in international enrolments continued. A number of factors continued to make Australia an attractive destination for overseas students; Australia's education system was widely respected, and many countries had a favorable exchange rate with Australia.

The TPS was focused on the commencement of the two new tuition protection programs for domestic students, which came into effect on 1 January 2020. This involved the TPS team understanding the policies and procedures related to VET Student Loans and HELP, the relevant stakeholders and their priorities, and building the necessary capabilities to deliver the new programs.

At the commencement of new programs on 1 January 2020, there were:

- 138 non-exempt VSL providers with approximately 13,000 VSL students
- 81 non-exempt FEE HELP providers
- approximately 47,000 FEE HELP and HECS HELP approved students.

From early 2020, the TPS has been affected by COVID-19. Our focus shifted to managing the impact COVID-19 on Australia's international education sector and the TPS. This has involved working closely with key stakeholders and industry, and has required the TPS to develop and adapt its service delivery model to meet expected higher level of demand.

## TPS governance

A statutorily appointed director and advisory board govern the TPS. The TPS Director is also the HELP Tuition Protection Director and the VSL Tuition Protection Director. Members of the TPS Advisory Board (the board) are also members of the newly established HELP Tuition Protection Fund Advisory Board and the VSL Tuition Protection Fund Advisory Board.

The board's primary functions are to advise the TPS Director on the risk-rated premium component and special tuition protection component of each of the three annual tuition protection levies. This includes for:

- institutions delivering education services to international students
- non-exempt providers offering income contingent loans to domestic students.

Expansion of the board membership to include expertise related to the two new programs is under consideration by the Minister for Education.

The Department of Education, Skills and Employment provides the secretariat to support the board and TPS Director. The TPS is also supported by an external service provider for student claim management services.

## Tuition Protection Levies

The TPS is supported by three levies, one each for international, VET and higher education. The levies are used to administer the TPS and to build reserves in the OSTF, the VSL Tuition Protection Fund and the HELP Tuition Protection Fund. The three funds are managed separately.

In formulating the Tuition Protection Service levies settings, the advisory board and the TPS aim for an appropriate balance between:

- ensuring there are sufficient reserves in the relevant funds to meet potential demand
- the levy being reasonable for providers
- ensuring that accumulated reserves are not excessive.

In finding this balance, the board seeks advice from stakeholders across the sector, including peak industry bodies, regulators and the Australian Government Actuary. At 30 June 2020 the OSTF balance was \$37.4 million, which is within the board's strategic reserve target of \$35 million to \$60 million. Based on actuarial advice, the board reviews these targets each year and adjusts as necessary. For 2020, the TPS Advisory Board has set the:

- strategic reserve target for the VSL Tuition Protection Fund in the range of \$5.8 million to \$7.8 million
- HELP Tuition Protection Fund between \$11.6 million and \$13.9 million.

The board reviews this target each year and adjusts as necessary.

The board provided advice to the TPS Director on the international levy in October 2019 and on the levy settings for the risk-rated premium and tuition protection components for the 2020 domestic levies.

Due to the impact of COVID-19, the 2020 collection of the international TPS levy was delayed from the usual collection timing of April/May to a yet to be determined time later in 2020. The international levy collection will be an estimated \$7.15 million.

Levies for VET and higher education will be collected in the second half of 2020. Funds received will be paid into the VSL Tuition Protection Fund and the HELP Tuition Protection Fund. The two new funds were established on 1 January 2020 with seed funding provided (repayable) by the Government. The balance of the VSL Tuition Protection Fund at 30 June 2020 was \$2.93 million. The balance of the HELP Tuition Protection Fund at 30 June 2020 was \$1.43 million.

## Working with stakeholders

During the first half of 2020, the TPS consulted with domestic VSL and HELP stakeholders to introduce the TPS and the levies framework.

The TPS adopted flexible arrangements to minimise the impact on stakeholder engagement from COVID-19 including the use of virtual meetings. Most VSL and HELP stakeholder sessions in 2020 were held online in response to COVID-19 restrictions.

TPS maintains close working relationships with education regulators to ensure it can respond to regulatory action and achieve timely and appropriate outcomes for students.

The TPS also works closely with the Overseas Students Ombudsman (OSO) to resolve disputes between providers and international students over payment of tuition fee refunds. In 2019–20, the OSO referred several cases to the TPS where a student was eligible for assistance. The TPS is also working with the VET Student Loans Ombudsman (VSLO) on complaints from domestic students.

The TPS works closely with the three policy areas in the Department of Education, Skills and Employment, providing feedback on implementing each of the tuition protection schemes and to inform future policy development.

## Outlook

The growth trend of the past 5–6 years in international education has been interrupted by global travel and border restrictions. The reduction in international student new commencements has created financial viability risk for providers.

This risk has not been realised to date in large part due to the Australian Government's measures to support the economy and the sector. Many international students were already in the country when the Government brought in border restrictions, initially for China and later for the rest of the world. Support mechanisms were quickly put in place, such as JobKeeper and waivers for international education providers' regulatory fees and charges. These have mitigated some of the negative impact on the financial sustainability of providers.

Nevertheless, continued travel restrictions into 2021 could see international education providers facing increasing hardship, as graduating international students are unable to be replaced by inbound international students. Increased interest in education from domestic students may provide a buffer for some providers who have historically relied on large international student numbers.

In response to COVID-19 and the Government's requirements, many providers moved to online teaching. While it is estimated that 80 per cent of overseas students were already in Australia when the COVID-19 pandemic was declared, that number continues to drop as a result of border closures and course completions. Any prolonged shift to online learning may result in students (domestic or international) deferring their studies. International Student deferments in March and April 2020 have increased almost ten-fold from 2018–19 levels. Student visa applications in January 2020 fell by 94 per cent during the same period in 2019 however in May 2020, this trend had slowed to 36 per cent of the number received in May 2019.

The TPS has worked closely with stakeholders to monitor financial viability during the COVID-19 pandemic. This has allowed the TPS to review its procedures and undertake contingency planning to manage demand on its services. At 30 June 2020, there were few closures as a direct result of COVID-19.

No reportable actions were undertaken by the TPS for domestic students under the interim tuition assurance arrangements to 30 June 2020, and responsibility for the remaining activities around the interim tuition assurance arrangements returned to the department after 30 June 2020.

## **Tuition Protection Service Administrator**

The TPS is supported by an external service provider to manage closures and resultant student claims.

In early 2020, the TPS approached the market through an open tender to engage the Tuition Protection Service Administrator, an external service provider that manages cases and claims for students affected by education provider closures. After an assessment and evaluation of tender responses, the TPS contracted Vincents Chartered Accountants for a period of three years.

## **Tuition Protection Service placement and payment activity**

The TPS delivers a service that is professional, responsive and transparent.

Since its inception on 1 January 2020, there have been no VSL or HELP provider defaults to 30 June 2020. The TPS also continued to assist domestic students eligible for assistance under the department's interim tuition assurance arrangements that ceased on 31 December 2019.

Over the 12 months to 30 June 2020, 19 Commonwealth Register of Institutions and Courses for Overseas Students (CRICOS) providers defaulted, which displaced more than 4,000 international students. Eight of these providers defaulted following action by the regulator, and the remaining 11 defaults were the result of business failure.

Only 12 of these 19 CRICOS provider defaults required TPS activations. In 2019–20, the TPS made 942 placements or refunds to international students. 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—the number of calls on the international OSTF is higher than the number of displaced students who received payments. Tables C.1 and C.2 show the time taken by the TPS to place students and make payments from the OSTF in 2019–20.

**Table C.1: Time taken by the Tuition Protection Service to place students, 2019–20**

Number of students placed	Within 30 days	Over 30 days	Total
International	127	0	127

A total of 620 students went to providers directly and then elected to have their refund payment paid to their new provider or to themselves (815 such payments were made in 2019–20; see Table C.2). Also, many of the students who received a refund from the TPS went on to continue their studies in Australia.

**Table C.2: Time taken to make payments from the Overseas Students Tuition Fund, 2019–20**

Payments made during 2019–20	Refunds to students		Total paid \$'000
	Within 30 days	31 days and over	
International	733	82	2,462

Note: Payments relate to students who were paid in 2019–20, regardless of when provider default took place.

**Table C.3: Financial status of the Overseas Students Tuition Fund, 2019–20**

	\$'000
Opening balance at 1 July 2019	40,635
TPS annual levy collected	27
Other revenue collected	716
<b>Total revenue</b>	<b>743</b>
Student and provider payments	3,059
TPS administrator services	755
Other operational/administrative expenses	149
<b>Total expenditure</b>	<b>3,963</b>
Balance as at 30 June 2020	37,415

I would like to take this opportunity to thank the chair of the board, Ms Helen Zimmerman, and members of the board for their support, advice and guidance over the past 12 months.

**Vipan Mahajan**

Director

Tuition Protection Service