



Tuition Protection Service Advisory Board

Mr Vipin Mahajan
Director
Tuition Protection Service
c/o Department of Education, Skills and Employment
GPO Box 9880
CANBERRA ACT 2601

DRAFT ADVICE

Dear Mr Mahajan

I am writing to you in accordance with section 55B of the *Education Services for Overseas Students Act 2000* (the ESOS Act) to provide advice and make recommendations to you in relation to you making the annual legislative instrument for the risk rated premium and special tuition protection components of the Tuition Protection Service (TPS) Levy for 2022.

In formulating its advice, the Board has considered a number of issues including the strategic risk environment, the advice of the Australian Government Actuary (AGA), the views of the regulators and industry peak bodies, the continuing impact of the Covid-19 pandemic on the sector and the quantum of funds required for the long-term sustainability of the Overseas Students Tuition Fund (OSTF).

As in previous years, the Board has been assisted in its deliberations by the Board's agreed 'guiding principles':

1. Advice provided to the TPS Director should reflect the overall risk environment and ensure that revenue matches what is needed to sustain the relevant fund, while also being sustainable for the industry.
2. The model for each Levy should, as far as possible, reflect gradual change and assist the industry with business planning by providing a stable regulatory environment.
3. The model should be as simple and transparent as possible, preferably based on a small number of risk factors.
4. Risk premiums imposed should provide incentives for providers to adopt positive behaviours.
5. Additional imposts on industry, such as data collection, should be minimised as far as possible, consistent with the ability to set sound risk-based levies.

In particular, the Board has closely examined the wide-ranging effect on the sector of the Covid-19 pandemic and the impact this has had on international education providers. The Board has noted the significant reduction in international students being able to commence their studies due to travel restrictions and other health-related restrictions, which has continued into 2021. The Board has also considered the views of industry and the regulators.

The annual report from the AGA is a key document on which the Board relies while preparing its advice. The latest AGA report, provided in August 2021, notes the significant challenges of the Covid-19 pandemic continue and supports the re-adoption of the 2021 settings to provide ongoing relief to the sector in recognition of the pandemic's continuing impact.

The Board also notes the AGA recommendation for the target fund size to remain at current levels (\$35 to \$60 million) even if the Fund's balance will likely remain at the lower end in the near to medium term.

Risk Rated Premium Component

The Board agrees with the AGA's recommendation that the risk factors and associated risk scores be retained for 2022.

The recommended risk factors for 2022 therefore remain:

1. Base risk factor
2. Length of operation
3. Volatility in overseas student enrolments
4. Maximum overseas source country concentration, and
5. Non-compliance history

In recognition of the continuing impact of the Covid-19 pandemic on the sector, the Board also recommends that the specified percentage remain at 0.04%.

Special Tuition Protection Component

In considering whether the special tuition protection component of the TPS levy should apply in 2022, the Board has taken the view that this component should not be activated.

Accordingly, the Board recommends that:

- the specified percentage rate for the risk rated premium component of the TPS levy be set at 0.04% - section 9(3)(a), *Education Services for Overseas Students (TPS Levies) Act 2012*; and
- the specified percentage rate for the special tuition protection component of the TPS levy be set at zero - section 10(2), *Education Services for Overseas Students (TPS Levies) Act 2012*.

Notwithstanding our advice, the Board recognises that you, in consultation with relevant ministers, may consider additional levy relief for international education providers in light of the impact of the pandemic. The Board recognises that any such relief, including not collecting the levy in 2022, would not imperil the OSTF.

Yours sincerely

Helen Zimmerman
Chair
TPS Advisory Board

**Risk Factors and Weightings for the Risk Rated Premium Component
for the TPS Levy in 2022**

Risk Factor	Category	Risk Factor Weight
Base risk	All providers	1.0
Length of operation	Less than 1 year	1.0
	1 year to less than 2 years	0.5
	2 years to less than 3 years	0.0
	3 years to less than 5 years	0.0
	5 years or more	0.0
Volatility in overseas student enrolments (1) Growth in student enrolments OR (2) Decline in student enrolments <i>Note: risk factor weight is discounted as follows:</i> <ul style="list-style-type: none"> • 75 percent to providers with a length of operation between 2 and 3 years; • 50 percent for those between 3 and 4 years; and • 25 percent for those between 4 and 5 years <i>Note: to be based on provider's annual average volatility</i>	120% or more	3.5
	105% or more, but less than 120%	3.0
	90% or more but less than 105%	2.5
	75% or more but less than 90%	1.8
	60% or more but less than 75%	1.2
	45% or more but less than 60%	0.6
	30% or more but less than 45%	0.4
	less than 30%	0.0
Maximum overseas source country concentration	80% or more	3.1
	50% to less than 80%	0.7
	25% to less than 50%	0.3
	Less than 25%	0.0

<p>Non-compliance history</p>	<p>Either or both of the following apply:</p> <p>(a) There is a weighted late payment measure of 30 days or more;</p> <p>(b) The provider has been sanctioned for non-compliance under Division 1 of Subdivision A of section 83 of the <i>Education Services for Overseas Students Act</i> in the last year.</p> <p>There is a weighted late payment measure of less than 30 days but at least 15 days</p> <p>There is a weighted late payment measure of less than 15 days but at least 1 day</p> <p>There is no weighted late payment measure (payment made on time).</p> <p>Plus</p> <p>One or more conditions on registration imposed by a regulator</p> <p>Regulator renewed registration for a shorter than maximum period</p>	<p>2.0</p> <p>0.9</p> <p>0.7</p> <p>0.0</p> <p>1.0</p> <p>1.0</p>
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