



Australian Government

# 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

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 2021.

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 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. 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 October 2020, notes the significant challenges of the Covid-19 pandemic and provides options to provide relief to the sector in recognition of the pandemic's impact.

The AGA has recommended the target fund size 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. The Board accepts this recommendation.

The Board notes that the TPS paid out approximately \$2.4 million for student placements and refunds during the 2019-20 financial year. This is slightly lower than the amount that was paid out in the previous financial year. The Board also notes that the collection of the 2020 levy, while deferred, had to be collected as the settings could not be changed. These settings were finalised in October 2019 before the pandemic.

The Board has accepted the AGA's recommendations and proposes to adopt changes to improve the alignment of risk factors but also importantly to adopt a number of temporary options to lower the collection amount in recognition of the impact of the Covid-19 pandemic.

### Risk Rated Premium Component

The Board agrees with the AGA's recommendation that changes can be made to the risk scores for the risk factor *Volatility in overseas student enrolments* to improve the operation of the factor and in recognition of the Covid-19 pandemic. That is, the Board recommends:

- a graduated reduction on the volatility risk factor being applied between 2 years and 5 years of operation – a discount of 75 percent could be applied 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;
- the temporary removal of the negative volatility scores, given the impact of the Covid-19 pandemic; and
- that the relevant risk loading be based on a provider's annual average volatility measure, rather than the volatility measure currently applied (which is the change over a two-year period). This, in the Board's view, also provides recognition of Covid-19 impacts on providers

The Board recommends additional non-compliance sub-components for the Risk factor '*Non-compliance history*' that should attract a risk score:

- one or more conditions on registration imposed by a regulator; or
- the regulator renewed registration for a shorter than the maximum period allowed.

The Board does not recommend changes to the other risk factors.

The recommended risk factors for 2021, therefore are:

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 order to target a lower collection amount in recognition of the impact of the Covid-19 pandemic on the sector, the Board also recommends that the specified percentage be temporarily changed from 0.07% to 0.04%.

#### Special Tuition Protection Component

In considering whether the special tuition protection component of the TPS levy should apply in 2021, 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*.

Yours sincerely

Helen Zimmerman  
Chair  
TPS Advisory Board

29 October 2020

**Risk Factors and Weightings for the Risk Rated Premium Component  
for the TPS Levy in 2021**

<b>Risk Factor</b>	<b>Category</b>	<b>Risk Factor Weight</b>
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	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
<p><i>Note: risk factor weight should be discounted as follows:</i></p> <ul style="list-style-type: none"> <li>• 75 percent discount to providers with a length of operation between 2 and 3 years;</li> <li>• 50 percent discount for those between 3 and 4 years; and</li> <li>• 25 percent discount for those between 4 and 5 years</li> </ul> <p><i>Note: to be based on provider's annual average volatility</i></p>		

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
Non-compliance history	One of the following:	
	a) There is a weighted late payment measure of 30 days or more;	2.0
	b) There is a weighted late payment measure of less than 30 days but at least 15 days	0.9
	c) There is a weighted late payment measure of less than 15 days but at least 1 day	0.7
	d) There is no weighted late payment measure (payment made on time).	0.0
	And/or one or more of the following:	
a) One or more conditions on registration imposed by a regulator	1.0	
b) Regulator renewed registration for a shorter than maximum period	1.0	