



Ms Melinda Hatton
Director
Tuition Protection Service
c/o Department of Education
GPO Box 9880
Canberra ACT 2601

Dear Ms Hatton,

TPS Advisory Board's draft advice on 2024 international TPS Levy

I am writing to you in my capacity as Chair of the Tuition Protection Service (TPS) Advisory Board ("the Board"), in accordance with section 55B of the *Education Services for Overseas Students Act 2000*, to provide the Board's draft advice on the 2024 international TPS Levy. This is for the purpose of your drafting of the annual legislative instrument to enact the Risk-Rated Premium and Special Tuition Protection components of the Levy.

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 relevant sector regulators and industry peak bodies, the continuing impacts of the COVID-19 pandemic, and the quantum of funds required for the long-term sustainability of the Overseas Students Tuition Fund ("the Fund").

The Board has been assisted in its deliberations by the following 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 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.

The AGA's 12 July 2023 report to the Board on the health of the Fund, and actuarial modelling of risk factors and values, is a key document on which the Board relies in considering its advice to the Director.

The Fund

The Board is in agreement with the AGA's recommendation for the target size of the Fund to remain in the range of \$35 to \$60 million. The Fund balance at 30 June 2023 was \$45.8 million.

Risk-Rated Premium component

The Board acknowledges that the international education sector in Australia is still experiencing some disruption from the impacts of the COVID-19 pandemic and recognises the increased risk of education provider closures in the current operating environment.

The Board supports the AGA recommendation to raise the specified percentage by 0.01% to 0.05% for the 2024 Levy to ensure the Fund is maintained at the midpoint of the recommended range.

The Board agrees with the AGA's recommendation that the following risk factors should remain unchanged from their 2023 settings in 2024:

- Provider length of operation
- Volatility in student enrolments
- Source country concentration
- Non-compliance and registration renewal

The Board believes that the temporary COVID-19 setting that waives loadings for positive volatility should be retained for one more year, to be reconsidered in 2024.

The Board has considered research that there is a reduced risk profile in student volatility and source country concentrations for education providers operating across international and domestic education markets, who only have a small proportion of international students to total student population, given their strong domestic student population. Accordingly, the Board has agreed that the student volatility and source country concentration risk factors will not apply to an education provider where the proportion of international students is less than 20 per cent of its total student population.

Further details of the Board's draft advice on the risk factors and values for the Risk-Rated Premium component of the 2024 Levy can be found at the end of this letter.

Special Tuition Protection component

The Board is in agreement with the AGA's recommendation that this component should not be activated for the 2024 Levy.

The Board hereby recommends to you under sections 9(3)(a) and 10(2) of the *Education Services for Overseas Students (TPS Levies) Act 2012* that the specified percentage rate for the Risk-Rated Premium component of the 2024 Levy be set at 0.05%, and that the Special Tuition Protection component of the Levy be set at 0%.

Yours sincerely,

Helen Zimmerman

Chair

Tuition Protection Service Advisory Board

4 August 2023

Draft risk factors and values for the Risk-Rated Premium component of the international TPS Levy in 2024

Risk factor	Category	2023 value	Proposed 2024 settings
Base risk	All providers	1.0	1.0
Provider length of operation	Less than 1 year	1.0	1.0
	1 year to less than 2 years	0.5	0.5
	2 years or more	0.0	0.0
Volatility (increase or decrease) in overseas student enrolments ^{1,2,3,4}	-15% to 0% or more	0.0	0.0
	-15% to -30%	1.5	1.5
	-30% to -45%	2.0	2.0
	-45% to -60%	3.0	3.0
	-60% or more	3.5	3.5

¹ Risk factor only applies to providers that have been in operation for 2 years or more and in the previous year had at least 20 overseas students enrolled and/or \$400,000 or more in tuition fee income

² The risk factor weight is discounted as follows:

- a. 75% to providers with a length of operation between 2 and 3 years
- b. 50% for those between 3 and 4 years
- c. 25% for those between 4 and 5 years

³ Based on provider's annual average volatility

⁴ Risk factor will not apply where provider's proportion of international students is less than 20% of its total student population

Risk factor	Category	2023 value	Proposed 2024 settings
Student source country concentration ⁵	80% or more	3.1	3.1
	50% to less than 80%	0.7	0.7
	25% to less than 50%	0.3	0.3
	Less than 25%	0.0	0.0
Provider non-compliance and registration renewal ⁶	Either or both of the following apply: (a) There is a weighted late payment measure of 30 days or more; (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 2000</i> in the last year	2.0	2.0
	There is a weighted late payment measure of less than 30 days but at least 15 days	0.9	0.9
	There is a weighted late payment measure of less than 15 days but at least 1 day	0.7	0.7
	Payment of TPS Levy on time	0.0	0.0

⁵ Risk factor only applies to providers that in the previous year had at least 20 overseas students enrolled and/or \$400,000 or more in tuition fee income. Risk factor will not apply where provider's proportion of international students is less than 20% of its total student population.

⁶ A provider's weighted late payment measure calculation considers how many days past the due date the provider paid the following applicable payments over the past three years: the TPS Levy, CRICOS Annual Registration Charge (CARC), Annual Registration Charge (ARC) and Entry to Market Charge (EMC).

Plus	Provider has had action mentioned in s.83 of the <i>Education Services for Overseas Students Act 2000</i> taken against it in the past year	1.0	1.0
	Registration renewed by regulator for shorter than maximum period due to risk management	1.0	1.0