

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 final advice for the 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 final 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 several issues and heard from various sources. These include considering the strategic risk environment, the advice of the Australian Government Actuary (AGA), 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 acknowledges the extensive consultation undertaken by the TPS Director with international education providers, regulators and peak bodies that confirmed support for the draft settings. The Board heard from several peak bodies that acknowledged that industry recovery was varied, however there was unanimous support for the proposed 2024 levy settings.

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 state 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 agrees 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 31 October 2023 was \$45.10 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 Risk Rated Premium component is calculated as follows:

$$\left(\begin{array}{l} \text{Specified percentage} \\ \text{for the year} \end{array} \times \begin{array}{l} \text{Increase factor for the} \\ \text{risk factor for the year} \end{array} \right) \times \begin{array}{l} \text{Provider's overseas student tuition} \\ \text{fees for the previous year} \end{array}$$

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

- Base risk factor
- Length of operation
- Volatility in overseas student enrolments
- Maximum overseas source country concentration
- Non-compliance and registration renewal.

Following the advice of the AGA, the Board recommends three key adjustments to the levy settings from last year:

1. Raise the Risk Rated Premium Component 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.
2. The temporary COVID-19 setting that waives loadings for positive volatility for the volatility in overseas student enrolments risk factor should be retained for one more year, with special note for this to be reconsidered for return to pre-COVID settings for the 2025 levy collection.
3. 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 have a small proportion of international students to total student population, given their strong domestic student population.

Accordingly, the Board has agreed that the volatility in overseas student enrolments and maximum overseas 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 as defined.

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

The Board hereby recommends these settings be applied for the 2024 levy under section 9(3) of the *Education Services for Overseas Students (TPS Levies) Act 2012*.

Special Tuition Protection component

The Board agrees with the AGA's recommendation that this component should not be activated for the 2024 levy.

The Board hereby recommends that the specified percentage for the Special Tuition Protection component of the 2024 levy be set at 0% under section 10(2) of the *Education Services for Overseas Students (TPS Levies) Act 2012*.

Yours sincerely,

Sharon Robertson

Chair

Tuition Protection Service Advisory Board

November 2023

Risk factors and values for the Risk Rated Premium component of the international TPS levy in 2024

Risk factor	Category	2023 increase factor	Proposed 2024 increase factor
Base risk factor	All providers	1.0	1.0
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 ¹²³	-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, in the previous year, had at least 20 overseas students enrolled and/or \$400,000 or more in tuition fee income, and whose proportion of international students was less than 20% of its total student enrolments.

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.

Risk factor	Category	2023 increase factor	Proposed 2024 increase factor
Maximum overseas source country concentration ⁴	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
Non-compliance and registration renewal ⁵	There is a weighted late payment measure of 30 days or more	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
	There is a weighted late payment measure of less than 1 day or payments are on time	0.0	0.0
	Provider had action mentioned in section 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 the maximum period due to risk management	1.0	1.0

⁴ 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, and whose proportion of international students was less than 20% of its total student enrolments.

⁵ 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 and CRICOS Annual Registration Charge (CARC) for 2022 and 2023, and the TPS levy, Annual Registration Charge (ARC) and Entry to Market Charge (EMC) for 2021 only prior to ARC and EMC repeal on 1 January 2022. This risk factor is the sum of the weighted late payment measure, plus action in relation to section 83 of the ESOS Act, plus shorter registration due to risk management, if applicable.