

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 2025 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 2025 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, 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 15 July 2024 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 agrees with the AGA's recommendation for the target size of the Fund to increase to the range of \$40 to \$60 million, up from the previous range of \$35 to \$60 million. The Fund balance at 30 June 2024 was \$47.8 million.

Risk Rated Premium component

The Board agrees with the AGA's recommendation that the following risk factors should remain unchanged from their 2024 settings in 2025:

- Base risk factor
- Length of operation
- Maximum overseas source country concentration
- Non-compliance and registration renewal

The AGA has recommended that the temporary COVID-19 setting that waived risk factor values for positive volatility (growth) in overseas student enrolments should cease and risk factor values for positive volatility be reinstated. This follows from the 2024 TPS Levy report, where the AGA noted that, as borders re-opened in 2022 it is expected that the risk factor values for positive volatility will be reinstated in 2025. The research undertaken by the AGA suggests that the positive volatility risk factor values applied prior to the pandemic are suitable levels to be reinstated.

The Board supports the AGA's recommendation to reinstate the positive volatility risk factor values to pre-pandemic levels.

The Board also supports the AGA's recommendation that the specified percentage for the Risk Rated Premium component of the 2025 Levy remain at 0.05% as it was in 2024.

Further details of the Board's draft advice on the risk factors and values for the Risk Rated Premium component of the 2025 Levy can be found at the end of this letter.

Special Tuition Protection component

The Board agrees with the AGA's recommendation that the specified percentage for the Special Tuition Protection component of the 2025 Levy be set at 0%.

In summary, the Board hereby recommends to you under:

- Subsections 9(3)(a) of the *Education Services for Overseas Students (TPS Levies) Act 2012* that the specified percentage for the Risk Rated Premium component of the 2025 Levy be set at 0.05% and that positive volatility in overseas student enrolments be reinstated, while all other risk factor settings remain unchanged from 2024.
- Subsection 10(2) of the *Education Services for Overseas Students (TPS Levies) Act 2012* that the specified percentage for the Special Tuition Protection component of the 2025 Levy be set at 0%.

These changes are consistent with the AGA's recommendations.

Yours sincerely,

Sharon Robertson

Chair

Tuition Protection Service Advisory Board

12 August 2024

Draft risk factors and values for the Risk Rated Premium component of the International TPS Levy in 2025

Risk factor	Category	2024 values	Proposed 2025 values
Base risk factor	All non-exempt 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 in overseas student enrolments ^{1,2,3,4}	120% or more		3.5
	105% to less than 120%		3.0
	90% to less than 105%		2.5
	75% to less than 90%		1.8
	60% to less than 75%		1.2

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 students enrolled or \$400,000 or more in tuition fee income

² The risk factor value is discounted as follows:

- a. 100% for providers with a length of operation of 0 years to less than 2 years
- b. 75% for providers with a length of operation of 2 years to less than 3 years
- c. 50% for providers with a length of operation of 3 years to less than 4 years
- d. 25% for providers with a length of operation of 4 years to less than 5 years

³ Based on provider's annual average volatility

⁴ Risk factor will not apply where a provider's proportion of overseas student enrolments is less than 20% of its total student population.

Risk factor	Category	2024 values	Proposed 2025 values
Volatility in overseas student enrolments (continued)	45% to less than 60%		0.6
	30% to less than 45%		0.4
	-15% to less than 30%	0.0	0.0
	-30% to less than -15%	1.5	1.5
	-45% to less than -30%	2.0	2.0
	-60% to less than -45%	3.0	3.0
	Less than -60%	3.5	3.5
Maximum overseas 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

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

Risk factor	Category	2024 values	Proposed 2025 values
Non-compliance and registration renewal ⁶	Weighted late payment measure of 30 days or more	2.0	2.0
	Weighted late payment measure of 15 days or more but less than 30 days	0.9	0.9
	Weighted late payment measure of 1 day or more but less than 15 days	0.7	0.7
	Weighted late payment measure of less than 1 day	0.0	0.0
Plus	Provider has 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 maximum period due to risk management	1.0	1.0

⁶ A provider's weighted late payment measure calculation considers the number of days after the due date the payment was received for the following applicable payments over the past three years: the TPS Levy and the CRICOS Annual Registration Charge (CARC).