

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

Dear Ms Hatton

Final advice on the settings for the 2023 TPS international levy

I am writing to you in my capacity as Chair of the Tuition Protection Service (TPS) Advisory Board, in accordance with section 55B of the *Education Services for Overseas Students Act 2000*, to provide the Board's final advice and recommendations to you for the purpose of you making the legislative instrument for the Risk Rated Premium and Special Tuition Protection components of the 2023 TPS international levy.

In formulating its advice, the TPS Advisory Board has considered several issues including the strategic risk environment, the advice of the Australian Government Actuary (AGA), the views of the 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 (OSTF).

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

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.

The AGA's annual report is a key document on which the Board relies in preparing its advice to you. The AGA's 12 August 2022 report notes that the challenges of the COVID-19 pandemic continue and, although provider failure rates have reduced from 2021, claims could revert to medium-term levels now that the Australian Government's business support has ceased. The report therefore supports the re-adoption of most of the 2022 settings to provide ongoing relief to the sector.

The AGA report did, however, recommend certain changes to the Student Volatility risk factor, as follows:

- 1) reinstate the risk factor for negative student volatility and set the risk scores higher than they were prior to the pandemic
- 2) waive the loading for positive student volatility by setting the factor for positive volatility to zero.

The Board notes the AGA's recommendation for the target size of the OSTF to remain at current levels (\$35 to \$60 million), even if the Fund's balance is likely to remain at the lower end of its target range in the medium term.

Risk Rated Premium Component

The Board agrees with the AGA's recommendation that previous risk factors and associated risk scores be retained for 2023. The recommended risk factors for 2023 should therefore include:

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

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%.

Details on the risk factors and weightings for the Risk Rated Premium component of the TPS international levy in 2023 can be found at the end of this letter.

Special Tuition Protection Component

In considering whether the Special Tuition Protection component of the levy should apply in 2023, 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 international 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 levy be set at zero - section 10(2), *Education Services for Overseas Students (TPS Levies) Act 2012*.

There have been some minor drafting adjustments made to the final advice table accompanying this letter to align with how the legislative instruments are made.

Yours sincerely

Helen Zimmerman
Chair
TPS Advisory Board

26 October 2022

**Risk Factors and Weightings for the Risk Rated Premium component
of the 2023 TPS international levy**

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 or more	0.0
Volatility in overseas student enrolments (growth or decline in student enrolments) <i>Note (1): this applies to a non-exempt provider: (a) with a length of operation of two years or more, and (b) that had in the previous year, at least 20 overseas student enrolments and/or \$400,000 or more in tuition fee income.</i> <i>Note (2): risk factor weight is discounted as follows:</i> <ul style="list-style-type: none"> • 75% to providers with a length of operation between 2 and 3 years • 50% for those between 3 and 4 years • 25% for those between 4 and 5 years <i>Note (3): based on a provider's annual average volatility</i>	-15% to 0% or more (positive volatility) -15% to -30% -30% to -45% -45% to -60% -60% or more	0.0 1.5 2.0 3.0 3.5
Maximum overseas source country concentration <i>Note (1): this applies to a non-exempt provider that had in the previous year at least 20 overseas student enrolments and/or \$400,000 or more in tuition fee income.</i>	80% or more 50% to less than 80% 25% to less than 50% Less than 25%	3.1 0.7 0.3 0.0

Non-compliance and registration renewal	There is a weighted late payment measure of 30 days or more	2.0
	There is a weighted late payment measure of less than 30 days but at least 15 days	0.9
	There is a weighted late payment measure of less than 15 days but at least 1 day	0.7
	There is no weighted late payment measure (payment made on time)	0.0
	Plus	
	Has had action mentioned in section 83 of the <i>Education Services for Overseas Students Act 2000</i> taken against it in the last year	1.0
Regulator renewed registration for a shorter than maximum period, due to risk management	1.0	