

COPHE Response to the Review of the Governance and Administration of the Tuition Protection Service (TPS)

23 June 2015

We welcome the Review and the opportunity to comment on behalf of The Council of Private Higher Education Inc. (COPHE).

We note the context for this submission this week is that export education has hit a record \$17.6 billion.

The TPS is working well, is a world leading initiative in student consumer protection and hugely valuable in projecting “brand Australia” in this important sector.

In a \$17.6 billion industry with a single scheme where all educational institutions participate, the budget of the TPS is modest. Nevertheless, our members pay significant sums and need to ensure value for money.

In attempting to understand the financial reporting however, analysis of the annual reports do not provide sufficient detail to establish how money is spent and suggests to us in terms of governance that representatives of the industry that raises the funding should be represented on the board and that more financial detail should be made available that enable us to understand whether we see value for money.

Given that the TPS has operated now for three years it is timely to consider what fine tuning and improvement can be made to the governance of something that works.

General Comments

The TPS legislation was introduced following the 2010 Baird Review: *Stronger, Simpler, Smarter ESOS*. This was at a time of considerable turbulence in international education, substantial policy changes, especially to skilled migration, and multiple provider closures.

The TPS replaced several separate Tuition Assurance Schemes operated by individual peak bodies, some of which had struggled to cope with the large number of closures and displaced students in VET and English sectors. It provided better resources, the capacity to offer refunds in lieu of alternative placements, and critically, included all providers, both Government and Non-Government (private), with much greater combined capacity to place students, especially in specialised courses. We believe this has greatly enhanced international confidence in the integrity of the sector and *Brand Australia*, to the benefit of all providers, public and private.

Since the *perfect storm* conditions of 2009-10, the sector is now better regulated and more settled, with a return to sustainable growth, and a much reduced incidence of provider defaults.

Consequently it is timely to review the TPS protection arrangements, their cost, and governance. Whatever changes are made, the welfare of students and reputation of the entire sector must remain paramount.

Review of the Governance and Administration of the Tuition Protection Service

1. Effectiveness and efficiency of the current legislative and governance arrangements

a. TPS Advisory Board

The Board advises on the annual TPS levy. Of the 9 present members, three are Government appointees and the balance, representatives of Commonwealth agencies. Previously there were industry peak body representatives.

COPHE believes industry representatives (perhaps three) should be restored to provide an industry and provider perspective and question the number of Government appointees from outside the sector, given the representation of Commonwealth agencies.

b. TPS Director

COPHE does not have a particular view on whether the TPS Director should continue as a Statutory Appointment other than to observe that the system is working well and that there may be advantages in the TPS Director, appointed as they are currently, acting quickly with the authority they have to deal with issues that arise.

c. TPS Administrator

The *Education Annual Report 2013-14* quotes TPS administration costs for the year as \$168,756, which is 52% of the total administration expenditure and almost as much as the call on the Fund for student and provider payments. For that year there was only one closure requiring TPS activation. The question has been raised as to whether it could be undertaken more cost effectively. We are not confident we have sufficient detail in the financial reports to be sure we have a full understanding.

Consideration could also be given to a consortium of education peak bodies to case manage displaced students, on a cost recovery basis, in conjunction with the Department or TPS Director. Peak bodies and individual providers have a moral and reputational interest in providing the best outcomes for the students and the sector. Providers, both public and private are also able to absorb fee-paying students who will continue in their courses.

d. OSTF

The *Education Annual Report 2013-14* show an OSTF balance of almost \$12M, against an eventual target of \$20M. The total levy collected was \$6,152,898, against total calls of \$187,266.

We believe the current balance is more than adequate in the current conditions, with the potential for a Special Levy if there is an extraordinary event. Consequently provider contributions could be scaled back, especially if administrative cost savings are found.

2. Cost/ benefit analysis of the current governance and administration arrangements of the TPS

Data from the relatively small number of earlier provider defaults indicate that many displaced students took a refund rather than an offer of a suitable alternative course, although many subsequently enrolled with an alternative provider.

This outcome contrasts with a stated objective of the TPS:

The TPS is a placement model with refunds provided as a last resort... The expectation is that students will accept an alternative place if one is available, for which they meet all the entry requirements and there is no cost disadvantage to them. However, the student is not compelled to accept an alternative place and is eligible for a refund of unexpended tuition fees.¹

We believe the TPS Director should be empowered to place students in a suitable alternative course, while considering their best interests, without necessarily offering a refund, unless a suitable placement cannot be found.

While most past refunded students seem to have found suitable alternative courses, there is always the possibility of visa compliance issues, and exploitation of vulnerable students by onshore agents and some providers. Also there is the prospect of negotiating fee discounts with the new provider, especially if the agent commission is by-passed, with lower costs to the TPS.

3. TPS experience informing tuition protection for domestic students

The 2010 Baird Review Recommended:

That the Australian Government explores harmonising tuition protection arrangements for domestic and international students.²

COPHE would strongly support further investigation of this, noting that there has not been a provider failure displacing students in the higher education space which is where COPHE is focused.

The Review noted:

Under the Higher Education Support Act 2003, for a Higher Education or VET private provider to offer FEE-HELP assistance to domestic students, one of the requirements is for them to be a member of an approved tuition assurance scheme or hold a guarantee or an exemption. Consequently, providers that are required to be members of both an international and domestic tuition protection arrangement experience an additional administrative and cost burden.

COPHE believes serious consideration and consultation should be given to establishing a common tuition protection scheme for domestic and international students. Many providers enrol both categories of students, who are equally affected by provider defaults.

4. Practical improvements and savings

Medium sized HEPs (500-1000 enrolments) indicate current TPS related administration requires about 1 FTE employee (cost pa \$60k) in addition to the TPS Levy. Many of the PRISMS entries and timeframes are unnecessarily onerous, for little policy gain. While we recognize some of these issues are under discussion in the current ESOS review, they bear repeating here.

Comments from a COPHE member:

- **Updating of ECOE's:** *We are meant to update every student payment into their ECOE on Prisms. It's takes a huge amount of time, you never finish it and may check the same student*

¹ TPS FAQs: <https://tps.gov.au/StaticContent/Get/Faqs>

² Stronger, simpler, smarter ESOS: supporting international students Recommendation 19: <https://internationaleducation.gov.au/Regulatory-Information/Education-Services-for-Overseas-Students-ESOS-Legislative-Framework/ESOS-Act/Pages/default.aspx>

10 times before you get their final payment. If they pay by instalment and pay 7 payments that's 7 updates in PRISMS. Totally unnecessary

- **Payment of 50% of fees up front:** Collection of fees is an issue with students paying at completion. Students force a release due to non-payment of fees.
- **Updating of defaults on Prisms on ECOEs:** This is required for every student. Refunds are required to be paid in 28 days and the system counts down and reports to TPS if not paid. 28 days is not long enough. Good providers with a low risk TPS rating should not have to complete this. It is resource intensive and perhaps should only be required where a refund could not be paid within a reasonable time. Providers are expected to contact students when they don't arrive to advise how to apply for a refund. I think the onus on this should be for the student to contact when they don't arrive. We are also forced to spend time on students who do not arrive rather than our new students.
- **Refund default reporting:** Refunds are required to be paid in 28 days & the system counts down and reports to TPS if not paid. 28 days is not long enough. You are dealing with students who have not arrived in Australia and with overseas banks. Sometimes paying the refund within 28 days is impossible.

Peak bodies are capable of a greater role in managing provider defaults, within the industry wide TPS umbrella. Most members willingly accept displaced students within their institutional capacity, in the interests of student welfare, industry reputation and their own commercial interests.

Peak bodies have strict membership criteria, and will encourage or even require members (this is mandated for COPHE members under our Code of Practice) to accept displaced students. For this reason the TPS Risk Rated Premium should be reduced for members of a recognized industry body.

Suggested savings:

- Reduce onerous reporting red tape under the current review of ESOS and the National Code
- Review the option for displaced students to take the refund, when there is a suitable alternative course
- Review the mechanism for calculation of the TPS levy, the need for separate Administrative and Base Fee Components, and whether these should be based on tuition fee income rather than enrolments.

ABOUT COPHE

COPHE is a peak body representing higher education institutions that are independent of Australian public universities. The membership is diverse and includes private universities and institutions operating from more than 80 campus locations across Australia. Members vary in student enrolments from under a hundred to a few thousand and include not-for profit and for-profit operations. Courses offered range from pathway diplomas through to bachelor and master's degrees, often linked to professions and employment. Some members also offer research degrees, including PhDs. The diversity is also evident in the provision of international education where for some institutions it is their main focus and others where it is a minor part of their activity.

COPHE believes that appropriate course and tuition assurance is essential for the fair and ethical protection of all students, international and domestic, and for the reputation of the sector as a whole where a single national scheme enhances confidence in our education system.

CONTACT DETAILS

Please contact us if you wish to discuss any of these or other points.

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