

## **Navitas submission to the Tertiary Education Quality and Standards Agency Consultation Paper 2012 Provider Information Request**

### **About Navitas**

Navitas is a global education provider that offers an extensive range of educational services for students and professionals including university programs, English language training and settlement services, creative media education, workforce and professional education, and student recruitment.

More than 80,000 students and clients learn with Navitas across a network of over 100 colleges and campuses in 23 countries. Navitas is an Australian publicly listed corporation which is included in the ASX 200 index.

Navitas is an industry leader in pre-university and university pathway programs, and managed campuses. It offers university programs from colleges in Australia, UK, US, Canada, Asia and Africa.

English Language training includes the provision of English as second language courses for international students and English language, settlement and work preparation programs for migrants and refugees.

Navitas Workforce provides quality higher education and vocational training, with aligned employment and placement services in areas of key demand. Focusing on meeting business and industry needs for skilled human resources, it provides the capabilities that find, train and place “work ready” skilled employees.

Via SAE and Qantm Navitas is a leader in creative media education offering audio, film and new media qualifications around the world.

Navitas also offers student recruitment services in India and China for universities and other educational institutions in Australia, Canada, US and UK.

Further details about Navitas are available at [www.navitas.com](http://www.navitas.com).

### **Executive Summary**

Navitas thanks the Tertiary Education Quality and Standards Agency (TEQSA) for the opportunity to provide feedback to the proposed provider information request consultation paper and for TEQSA's willingness to consult with the higher education sector on such an important matter.

However Navitas would like to raise a number of concerns with the consultation paper.

Firstly, despite the intent of TEQSA to operate under the principle of regulatory necessity (exercising its powers to not burden the higher education provider any more than is reasonably necessary), this paper proposes a significant increase in the quantity and depth of information currently collated and provided to any education regulatory body.

Navitas is supportive of moves by various organisations across Australia to reduce regulatory burden and “red tape” and supports the Business Council of Australia's proposition that adopting a risk-based approach to regulatory design, implementation and review is critical to lifting regulatory performance and to realising and sustaining the benefits of current and future competition and regulatory reforms.<sup>1</sup>

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<sup>1</sup> Discussion Paper for the COAG Business Advisory Forum, April 2012.

Navitas also has concerns that any of the information provided to TEQSA could be subject to requests under the *Freedom of Information Act 1982*. As a public company listed on the Australian Securities Exchange (ASX) data such as student information, staff information and student surveys would be viewed as highly valuable by Navitas' competitors.

With these factors in mind Navitas recommends that TEQSA request aggregated data only from providers instead of at the unit record level as currently proposed. Navitas believes this would result in sufficient data to effectively measure risk and quality without requiring providers to capture significantly more data and de-identify it.

Navitas supports a consolidated approach to information collection but it appears TEQSA will be unable to source all its information requirements from HEIMS data. Navitas recommends that all national regulators should be seeking to reduce regulatory burden by establishing a single national data collection program which meets all of their needs and can be efficiently auctioned by providers.

Navitas also recommends that financial viability be assessed at a consolidated group level for providers with subsidiary entities. This is because Navitas, and similarly structured organisations, utilise negative pledge deeds which mean that every subsidiary party to the negative pledge deed cross guarantees each other. Therefore from a financial viability viewpoint it is not relevant to consider the financial position of individual subsidiaries within the group.

Navitas supports the provision of audited historical financial data to TEQSA but not the use of financial forward estimates which should be excluded from any data requests. Navitas does not consider that forward financial estimates are an accurate and reliable guide to future financial performance and would only result in significant additional work for providers while proving of little actual worth to TEQSA. In addition Navitas would be in breach of ASX listing rules if the company were to provide forward financial estimates to TEQSA. Instead Navitas recommends that TEQSA either remove the request, make publicly listed providers exempt from providing forward estimates or instead reviews publicly available independent broker analysis reports which contain detailed five year financial forward estimates.

In terms of timing of data collection Navitas suggest that many providers operating on a financial year basis will struggle to supply audited financial accounts by the end of August each year and recommends that instead provider data be due in at end of October in line with current FEE-HELP requirements.

Navitas also recommends that if providers are unable to supply requested information in 2012 due to lack of existing data collection systems then a phased-in approach should be utilised to gather available data. This would allow providers who do not currently capture some of the requested data to have the opportunity to put systems in place for full implementation in 2013.

Finally, Navitas is concerned with the timeframes given for this consultation and the ability of TEQSA to react to any sector feedback while still meeting regulatory demands in 2012. The initial two week consultation period was very brief and not enough time has been allowed for TEQSA to respond to feedback before the proposed national information request. Navitas recommends that for sector consultation to be effective it requires more time for all parties to dialogue on such important matters.

### **Summary of Navitas recommendations**

- 1. Navitas recommends that all national regulators should be seeking to reduce regulatory burden by establishing a single national data collection program which meets all of their needs and can be efficiently auctioned by providers.**
- 2. Navitas recommends that TEQSA request aggregated data only from providers instead of at the unit record level.**
- 3. Navitas recommends that financial viability be assessed at a consolidated group level for providers with subsidiary entities.**
- 4. Navitas recommends that TEQSA either remove the request for forward financial estimates, make publicly listed providers exempt from providing forward estimates or instead review publicly available independent broker analysis reports for such information.**
- 5. Navitas recommends that provider data be due in to TEQSA at the end of October in line with current FEE-HELP requirements.**
- 6. Navitas recommends that if providers are unable to supply requested information in 2012 that a phased in approach should be utilised to gather available data with full implementation in 2013.**
- 7. Navitas recommends that for sector consultation to be effective it requires more time for all parties to dialogue on such important matters.**

#### **Navitas response to questions:**

##### **Question 1: Is a more consolidated approach to higher education collections necessary? Why?**

Yes, a consolidated approach to information collection is preferred as it should reduce the regulatory burden on providers, increase efficiencies and allow regulators to focus on providers which need more support.

However it appears TEQSA will be unable to source all its information requirements from HEIMS data which means that many providers will be submitting data to DIISRTE, ASQA and TEQSA at differing times of the year. Navitas recommends that all national regulators should be seeking to reduce regulatory burden by establishing a single national data collection program which meets all of their needs and can be efficiently auctioned by providers.

**Question 2: Should other data areas be given equal or greater priority in the 2012 information request? Why?**

The four sections outlined seem a fair representation of the types of data required to monitor providers however Navitas does have some concerns about the requested data in the student survey section. Navitas also feels that the amount of data requested in each of the sections is overly burdensome and will prove costly to provide and difficult to effectively analyse.

**Question 3: Is the entity scope definition appropriate in the context of this proposal? If not, why not?**

In Navitas' view the entity scope definition may not always be appropriate for all providers, especially larger providers with subsidiary entities.

Navitas operates a subsidiary model with all wholly controlled subsidiaries reporting to the parent entity. Reporting at the subsidiary level would not affect staff, academic and student information assessment and would accurately reflect the quality and outcomes of that subsidiary.

However in regards to financial viability assessment it is our very strong submission that Navitas, and similarly structured organisations, should be assessed on a consolidated group basis for the following reasons:

- Navitas and its wholly owned subsidiaries have entered into a negative pledge deed which means that every subsidiary to the deed cross guarantees each other. Therefore from a financial viability viewpoint it is not relevant to consider financial performance at the subsidiaries level within the Navitas group.
- In a general sense the overall standing and viability of the consolidated group is much higher than any individual subsidiary. This means any Navitas subsidiary is well insulated against any shocks which would normally impact a stand-alone provider as it is cross guaranteed by every other Navitas subsidiary.
- Every one of NVT's higher education providers in Australia and around the world is a party to the negative pledge deed. This means that by focusing on the group level TEQSA will gain an accurate view of the organisations viability which would not be the case if financial viability was reviewed at a subsidiary level.

(Note: (i) group level balance sheet and banking arrangements are where TESQA will be able to assess liquidity/access to capital; (ii) the requirement to assess financial viability at a subsidiary level imposes very significant resource burdens and costs on Navitas which fall squarely in the area of 'red tape' and unnecessary regulatory burden.)

**Question 4: Are unit record extracts appropriate in the context of this proposal? Why?**

Navitas does not believe that unit record extracts are the most appropriate or efficient way for TEQSA to analyse provider data and instead suggests that aggregated data would be easier to supply while still allowing sufficient data for analysis.

There are a number of concerns with providing data at the unit record level.

Firstly, providing data at the unit record level will generate massive amounts of information that TEQSA may struggle to analyse effectively.

Secondly, Navitas believes that unit record extracts will lead to easy identification, especially of staff members.

Finally, supplying unit record data will increase the cost of regulatory adherence as providers will either need to establish systems to manage reporting this data, which will incur set-up costs, or will need to employ more staff to produce the data.

**Question 5: Are there any student data elements that should be excluded, included or defined differently from those proposed? If so, why?**

Navitas believes that the current proposed information request is too expansive and should be reduced to just cover information that is required to effectively ensure quality education is provided and that risk is managed.

In addition it is sometimes not clear how an assessment will be formed from the information requested. As an example it is not clear how the two Provider Course Accreditation Standards mentioned in this list would be addressed i.e. "Teaching and Learning are of high quality" and "Assessment is effective and expected student learning outcomes are achieved". How will the proposed data provide a measure of those two standards?

Navitas also noted a number of issues with several of the proposed data points including:

- Item 327 – Basis for admission needs to recognise International students. Perhaps a field should be listed for those coming in with a non-Australian educational background.
- Item 369 – As above: ATAR scores do not apply for students who enrol on a student visa.
- Item 489 – For all Navitas colleges census date is in Week 4 of trimester (30% of the way through the period during which the unit is undertaken) as opposed to 20% as specified in the table. Week 4 census date complies with *FeeHelp* reporting provisions. Setting a different census date would not only be an additional burden but would lead to potentially inconsistencies in data reports.
- Item 493 – As above: Education level needs to recognise those enrolling on the basis of a non-Australian educational background.
- Item 569 – Do partnership arrangements where an Australian qualification is NOT offered, have to be reported?

**Question 6: Should any staff elements be excluded, included or defined differently from those proposed? If so, why?**

As highlighted earlier in this submission Navitas believes that data should be provided on an aggregated basis, especially in regards to staff data.

This is particularly pertinent for private providers as they are not currently required to capture some of the data fields proposed in the consultation paper and therefore do not have access to historical data or have the systems in place to capture the data.

Another issue is the suggestion that salary banding data be used for private providers in place of university employee classification types. This is a somewhat complicated measure to use and it is not clear how TEQSA will use such data to decide what is appropriate or a risk indicator, especially when workplaces negotiate their own salary rates. Navitas hopes that TEQSA is not going to make assumptions that higher salary equates to higher quality.

If aggregated staff data is not a feasible option it is suggested that TEQSA consider a phased approach to gathering data so that providers who do not currently capture some of the requested data have the opportunity to put systems in place to capture that data.

**Question 7: Should any financial data elements be excluded, included or defined differently from those proposed? If so, why?**

Navitas supports the principle of providing sufficient financial data to TEQSA to establish the financial viability and health of the organisation though has some concerns with some aspects of the proposal.

Firstly, the timing of the request for 2012 for providers operating on a financial year basis may prove hard to meet with audited financial statements due in to TEQSA by the end of August. With its financial year ending at 30 June 2012, Navitas will have certainly completed its parent entity financial reporting but is unlikely to have completed audited annual financial statements for all of its relevant controlled entities.

In terms of financial forward estimates, Navitas currently completes top level five year financial forward estimates and a more detailed 18-month financial forward estimates process but does not complete two year forward estimates to the level suggested by TEQSA. Further, and although they are important for budgeting and planning, Navitas does not consider that forward financial estimates are an accurate and reliable guide to future financial performance and would only result in significant additional work for providers while proving of little actual worth to TEQSA.

In addition, as a listed public company on the ASX Navitas is subject to continuous disclosure obligations under ASX Listing Rule 3.1 and section 674 of the Corporations Act. Under these requirements, unless publicly released by Navitas through the ASX, such financial forward estimates would constitute material price sensitive information not available to the public. Therefore, if Navitas supplied such information to TEQSA the organisation would be in breach of ASX listing rules.

TEQSA may consider an alternative approach to this arrangement which would not be contrary to the Listing Rules which is the analysis of publicly available independent broker and investor analysis reports instead of financial forward estimates from the provider. As an example Navitas is covered by more than ten leading broker organisations that independently develop detailed five year financial forward estimates on Navitas. These reports prove to be very accurate and can provide TEQSA with comprehensive forward projection information.

One final concern with ASX listed providers being required to supply financial forward estimates, and as noted in the discussion paper, is that such information could then be requested by a third party under the *Freedom of Information Act 1982* putting both TEQSA and Navitas at risk of breaching listing rules and being forced to divulge commercially sensitive information.

In summary Navitas supports the provision of audited historical financial data to TEQSA but not the use of financial forward estimates which should be excluded from data requests.

**Question 8: Noting the optional basis of the proposed student survey data, are there any data elements that should be excluded, included or defined differently from those proposed? If so, why?**

Navitas has a number of concerns with the proposed information request regarding student survey data.

Firstly, there is considerable lack of consistency in the type and structure of student surveys currently used across the sector and if the same student surveys are not being used by all providers how will TEQSA be able to decide which data is of concern and a risk indicator?

In Navitas' case many of our subsidiary providers conduct student tracer surveys but these surveys do not take into account students who leave before graduating or who graduate but do not go on to further study.

In addition some of the requirements seem high e.g. 50% response rate for course evaluation and what is the outcome if the response rate is not reached despite providers best efforts?

Finally it should be acknowledged that it is notoriously hard to attain reasonable student survey completion rates across the education sector. If another survey were required to be implemented to meet TEQSA needs it is probable that completion rates for other mandatory surveys will fall.

**Question 9: Should TEQSA's approach to information handling be different from that outlined above, where permissible? Why?**

As a listed company Navitas manages significant commercially sensitive information which contributes to the continuing success and viability of the organisation. This includes financial forward estimates. Even less sensitive information such as student information, staff information and student surveys in the details requested could be viewed as highly valuable by Navitas' competitors.

Navitas would have grave concerns that any of the information provided to TEQSA could be subject to requests under the *Freedom of Information Act 1982*. Navitas suggests that exclusions should be applied to ASX listed providers in regards to the requirements to provide financial forward estimates as per our previous point.

In addition Navitas has grave concerns that TEQSA and DIISRTE cannot guarantee that any data published will not in some way identify a student or a staff member. This further supports Navitas' view that all data provided to TEQSA should be in an aggregated format.

**Question 10: Do you have any suggestions about the proposed timetable, balancing the impact on providers, and TEQSA's need to ensure it is informed by current and complete data?**

As mentioned earlier Navitas suggests that many providers operating on a financial year basis will struggle to supply audited financial accounts by the end of August each year. Navitas recommends that the requirement to provide data information to TEQSA be amended to the end of October in line with current FEE-HELP requirements.

Navitas is also concerned with the timeframes given for this consultation and the ability of TEQSA to react to any sector feedback while still meeting regulatory demands in 2012. The initial two week consultation period was very brief and not enough time has been allowed for TEQSA to respond to feedback before the proposed national information request. Navitas recommends that for sector consultation to be effective it requires more time for all parties to dialogue on such important matters.

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