

Introduction

Universities Australia welcomes the opportunity to provide a submission to this review of Australia's Export Policies and Programs. The purpose of this submission is to provide a representative voice across Australia's universities. Individual universities may also provide submissions to the Review.

It is pleasing to see that this review proposes to examine a whole of government approach to trade. As stated in the issues paper, trade-related programs and services are delivered by a number of government agencies and organisations. The Department of Foreign Affairs and Trade (DFAT) and Austrade have broad responsibility for trade policy, market development, trade promotion and international business development. However, Australian Education International (AEI) within the Department of Education, Employment and Workplace Relations (DEEWR) has specific responsibility for export promotion and regulation of international education.

Universities Australia's key recommendations in relation to this review are as follows:

- Universities should gain greater representation in government trade policymaking forums, in line with the position of education as Australia's largest services exporter.
- Base public funding for university teaching and infrastructure should be increased, to allow higher education exports to continue to grow in a highly competitive international market.
- Greater attention should be given to 'whole of government' issues that affect overseas students studying in Australia, including affordable housing, broadband availability and transport infrastructure.
- Funding for Australian Education International should be maintained or increased and its role expanded.
- Australia's ability to apply quality standards to higher education providers should be preserved in any free trade agreements currently under negotiation.
- Strong and consistent representation of the education export industry should be a central part of Australian trade negotiations, including advocacy on 'behind the border' issues in partner countries.
- The current high cost of Australian student visas should be reviewed.

Australia's Higher Education Exports

Education has been the success story among Australian exports over the last twenty years. Education related services exports grew by 19.8% in 2007 to a value of \$12.864 billion, making education services Australia's third largest export (after coal and iron ore) and its largest services export.¹ Australia's Educational Services for Overseas Students (ESOS) regulatory framework is highly regarded internationally, although elements of this framework are arguably unnecessarily onerous for universities. The international education industry employs over 50,000 people, supporting over 250,000 international students both here and offshore. This represents an incredible story of growth from an export industry that did not exist 25 years ago. It is a testament to the innovative spirit of Australia's universities that they have built an industry that contributes to Australia's prosperity on so many levels.

This success is, however, rarely reflected in the inclusion of representatives from the sector in discussions, working parties, councils and other forums on trade policy. Given the prominence of universities in Australia's services exports, Universities Australia recommends that a greater representation be given to universities in these forums.

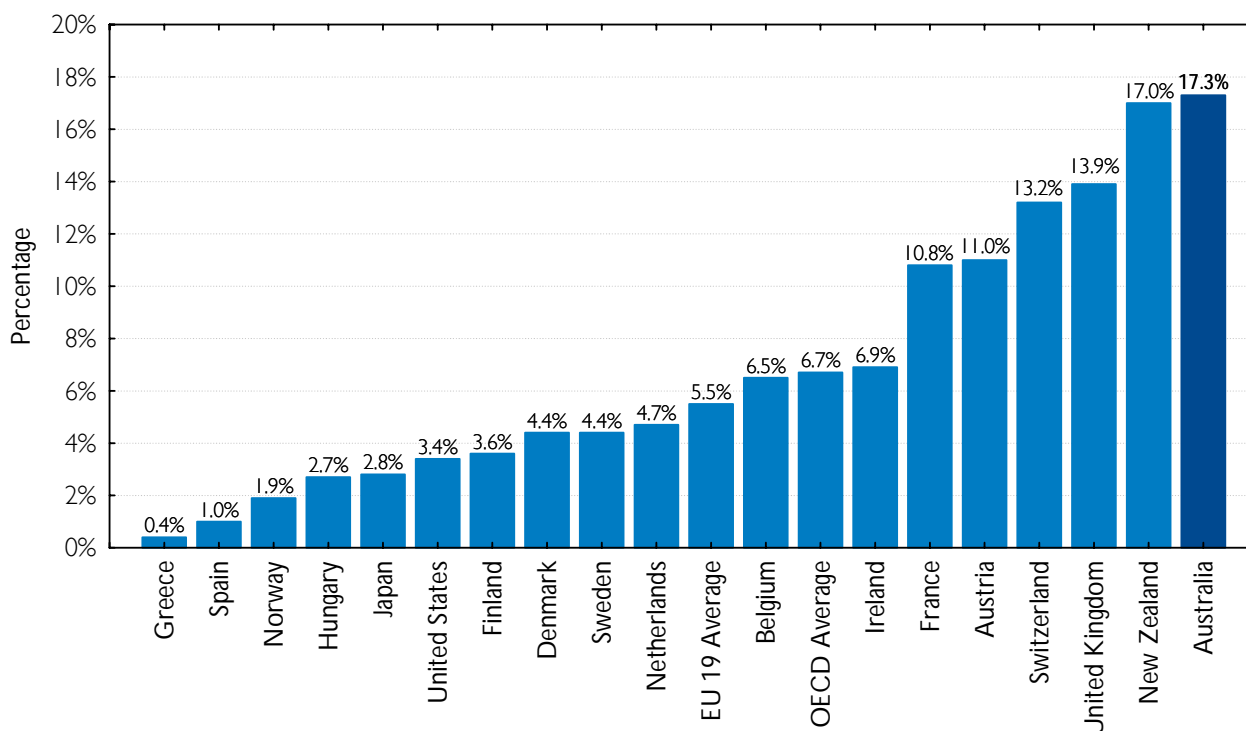
International student enrolments in individual Australian universities now range from 10% to in excess of 25% of the broader student population. Consequently, universities are now heavily reliant on fee revenue generated by international students. These fees contribute to staff salaries, university facilities, research and other core activities. This dependence on international student fee revenue has been heightened over the last 12 years as a result of the continued decrease in per capita student funding by successive federal governments. It is important that this international revenue base is protected by supportive government programs and policies.

¹ ABS trade data, reproduced from *Trade Topics: A quarterly review of Australia's international trade*, Autumn 2008.

There is concern within the university sector that there is a growing imbalance between funding for domestic students and international student income. The erosion of core funding for Commonwealth supported student places and for university infrastructure has resulted in a rise in the student-staff ratio over the last two decades from 14:1 to 20:1.² The result is to threaten the quality of education for both domestic and international students and, if Australia is not careful, to undermine the future international student market in the process.

The figure below shows that Australia's higher education sector has the highest proportional intake of international students amongst OECD countries, making Australia particularly vulnerable to any downturn in this market.

International Students as a percentage of all tertiary enrolment (selected OECD countries), 2005



Source: Education at a Glance: OECD Indicators 2007, Table C3.1, p. 317

While international students should certainly pay their way, it is not sustainable in a competitive market for international students to cross subsidise under-funded domestic student places, as is the case at present. There has been a 30% decline in government funding per domestic student place (in real terms) over the past decade. Restoration of base funding in real terms for Australian universities is therefore essential for both the benefit of domestic students and for the sustainability of international student export activity. This is an issue not addressed in the 2008 Federal Budget.

Complementary policies

Continued success in educational exports will depend on co-operation among many government departments, different levels of government, and a range of other stakeholders. For example, educational exports rely fundamentally on:

- Airline capacity to allow for seamless student and family movements (e.g. relevant international services at Adelaide airport are currently limited and at Canberra and Hobart are non-existent);
- Telecommunications capacity to allow access to online learning resources, family communications and off-shore course delivery under a blended learning model;

² Universities Australia data, available at <http://www.universitiesaustralia.edu.au/documents/publications/stats/Student-teacher-ratio-1990-2007.pdf>

- Appropriate promotion of Australia as a destination for international students, including through generalist agencies such as Tourism Australia and through sector specific promotional campaigns (which currently receive a small fraction of the tourism industry's level of promotional funding); and
- Coordination of state and federal policies through COAG to address:
 - differences between jurisdictions in charges for the educating of student visa holders;
 - the absence in some states of student transport concessions for international students;
 - the interface between regional migration objectives and federal visa administration;
 - the lack of ease of VET-to-university pathways for international students; and
 - planning processes for student housing developments.

International education exports will be a major beneficiary of genuine improvements to whole-of-government processes. The above issues indicate how the Education, Infrastructure, Immigration and Communications portfolios need to work together, in addition to the Commonwealth working more closely with the states through COAG processes. Similarly, partnership with other stakeholders such as industry has significant scope for improvement, with many overseas students expressing concern at the limited avenues of learning-related work experience while in Australia.³ At the moment, vehicles for creative coordination to assist education exports do not seem to be in place, and should be considered as a matter of priority.

Export Promotion and the Role of Australian Education International

The 2008 Federal Budget has seen stagnant funding growth in real terms for AEI within DEEWR's budget allocation, and a 5% reduction in average staff numbers. Discussions with DEEWR staff have led Universities Australia to believe that this is the result of thinking within government that the success of the international education industry has reduced the need for continued export promotion, and so resources can be directed to areas of greater need. Universities Australia would argue that success to date should not see a reduction in government support into the future. On the contrary, the high exchange rate resulting partly from booming commodity exports means that even more effort is required even to maintain our current share of the international education market.

AEI is active in promotion of Australian education services to prospective international students as well as behind the scenes activities such as regional links programs that encourage collaboration between universities in Australia, our region and the world. AEI has played a role in building the international education industry in Australia and needs to continue to fill this space, particularly given the absence of education services expertise within Austrade and DFAT. Irrespective of developments at AEI, it would also be advantageous for Austrade and DFAT to develop greater expertise in educational service export matters. In addition, there is a role for the Prime Minister, Foreign Minister and Australia's Ambassadors to advocate for Australia's international education activities where appropriate.

A portion of AEI's funding is provided by the education industry through the Annual Registration Charge (ARC). The ARC is payable by all providers registered on the Commonwealth Register of Institutions and Courses for Overseas Students (CRICOS). It comprises a base fee of \$334 plus a per enrolment component of \$29 per student, based on the total number of enrolments of overseas students on student visas in each course provided by the institution in the previous calendar year. For some larger universities this charge can be over a quarter of a million dollars every year. Given the significant and increasing amount of funding the industry contributes to AEI, there may be a case for separating AEI from DEEWR and making it more directly accountable to higher education providers. It would also be valuable for the higher education sector if AEI's role was expanded to become a 'whole of government' advocate within Australia for international education exports.

International education is an evolving industry in which Australia has been a leader to date. However, the world is catching up and the advantages Australia has enjoyed (high quality universities, English language, progressive migration programs and a transparent regulatory regime) are being emulated by our competitors, who are now closing the gap. Now is not the time to be reducing support for this industry, but rather building capacity for the future. Australia requires policies that will support our economic security beyond the mining boom. Support for services export industries and the international education industry in particular present a means of securing this.

³ Universities Australia, *A National Internship Scheme: Enhancing the skills and work-readiness of Australian university graduates*, Position Paper 3/08, Canberra, May 2008. Available at <http://www.universitiesaustralia.edu.au/internships/>

Market Access

Australia is engaged in both the Doha round of WTO negotiations and in an increasing number of bilateral and regional negotiations. These involve possible agreements with some of our key trading partners including China, Japan and ASEAN. In all of these contexts, services trade is playing an increasingly important part in negotiations.

The Australian higher education market is already open to overseas universities that wish to offer degrees in Australia. This is provided for under both the National Protocols for Higher Education Approval Processes ('National Protocols') and the *Higher Education Support Act 2003*. One institution, a South Australian campus of America's Carnegie Mellon University is currently operating under these provisions and others may follow.

The operation of suitably qualified overseas universities in Australia is to be welcomed. However, it is important that overseas institutions operating in Australia do not devalue degree offerings by Australian universities or more broadly devalue the use of the title 'university'. When entering into multilateral, bilateral and/or regional negotiations, Australia should therefore be cautious of any measure that may undermine its ability to apply quality assurance measures (e.g. the National Protocols) and other regulatory processes to universities.

Conversely, many Australian universities now offer degrees through campuses located in partner countries. The regulatory burden of operating in some partner countries (e.g. India) remains unreasonably high and, subject to the same quality principle as applies in Australia, bilateral negotiations should be seen as a good opportunity to minimise registration, reporting and other compliance costs for Australian universities and other services exporters.

The potential for Australia to enter into a dozen or more bilateral and regional trade agreements adds an additional level of regulatory risk for service exporters. As far as possible, the provision of these agreements should be made consistent to avoid a potential 'spaghetti junction' of regulation that may affect both the domestic and overseas operations of Australian universities. The focus of such agreements should be on ensuring maximum border and 'behind the border' liberalisation benefits for Australian exporters, including universities.

Student Visas

The other federal department with a direct role in the international education industry is the Department of Immigration and Citizenship (DIAC). DIAC has an influence in the industry via their setting of student visa regulations and price structures. An accessible and economical student visa system is an important element in education services export promotion. The international student market is sensitive to upfront costs. At present, Australia's visa application costs are disproportionately high compared to our key competitors. Below is a comparison table of upfront visa costs among our competitor countries of the UK, USA and New Zealand. This data has been compiled from information listed on the respective government websites and has been converted to Australian dollars as at Monday 25 February 2008 (unless already listed in \$AUD on the foreign government website). The table below indicates that Australian student visa costs are more than double those in the UK and NZ and an additional \$60 above costs for the USA.

Country	Visa Application Cost (\$AUD)
Australia	\$450 (as at 26 April 2008)
United Kingdom	\$243
New Zealand	\$131 in Pacific or Sydney offices \$175 in NZ and other locations
United States of America	\$157.20 application fee \$126.00 issuance fee \$108.00 SEVIS fee* Total: \$391.20

* In respect to the United States, exchange visitor and student information is maintained in the Student and Exchange Visitor Information System (SEVIS). All student visa applicants must pay a SEVIS fee toward maintaining this system.

Universities Australia considers that the international education industry would be better able to compete with the major world players if our upfront costs were more competitive and asks that the matter be considered within the parameters of this review. At the same time, Universities Australia has been pleased to see some useful developments in Australia's visa regime, such as the simplification of working arrangements for student visa holders.

Further information

Universities Australia would welcome the opportunity to contribute to further consultations during the period of this review. If you have any questions or comments regarding the preceding material, please feel free to contact Dr Glenn Withers, Chief Executive Officer, on (02) 6285 8104.