

The international education industry

Introduction to the international education industry

- 5.1 Australia's international education industry has grown enormously in recent decades. The industry is now Australia's fourth largest exporter behind coal, tourism and iron ore.¹ The Australian Services Roundtable demonstrated the importance of education exports, stating:

The Chinese students studying in Australia are worth more in education services export earnings than all of Australia's wheat exports to China.²

- 5.2 In 1991-92 education exports were worth about \$1.2 billion to the Australian economy. In 2005-06 exports were worth \$10 billion. Growth has been impressive in the past five years with education exports doubling in size – an annual growth rate of 15.3 per cent (see figure 5.1 below).³
- 5.3 In 2006 there were 383,818 international students enrolled with Australian institutions. Of these, 172,297 were enrolled in higher education courses, 83,685 in vocational and technical education (VTE) courses, 24,717 in schools, and 77,468 in English language courses (see figure 5.2 below).⁴

1 Department of Education, Science and Training, *Submission no. 47*, p. 1.

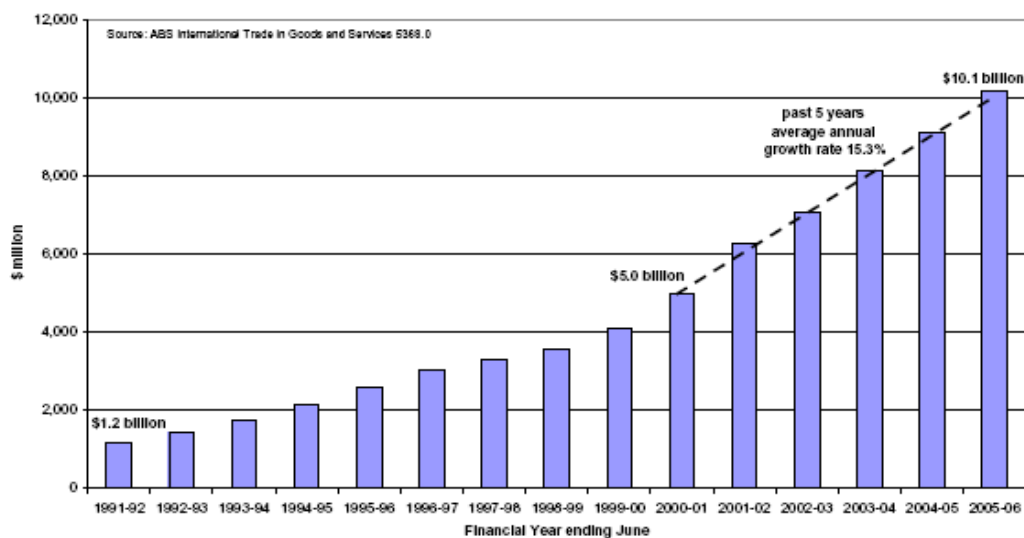
2 Australian Services Roundtable, *Submission no. 44*, p. 9.

3 Department of Education, Science and Training, *Submission no. 47*, p. 1.

4 Australian Education International, *2006 annual international student statistics*, Australian Education International, 2007, viewed 7 May 2007, <http://aei.dest.gov.au/AEI/MIP/Statistics/StudentEnrolmentAndVisaStatistics/2006/2006Annual_Stats.htm>.

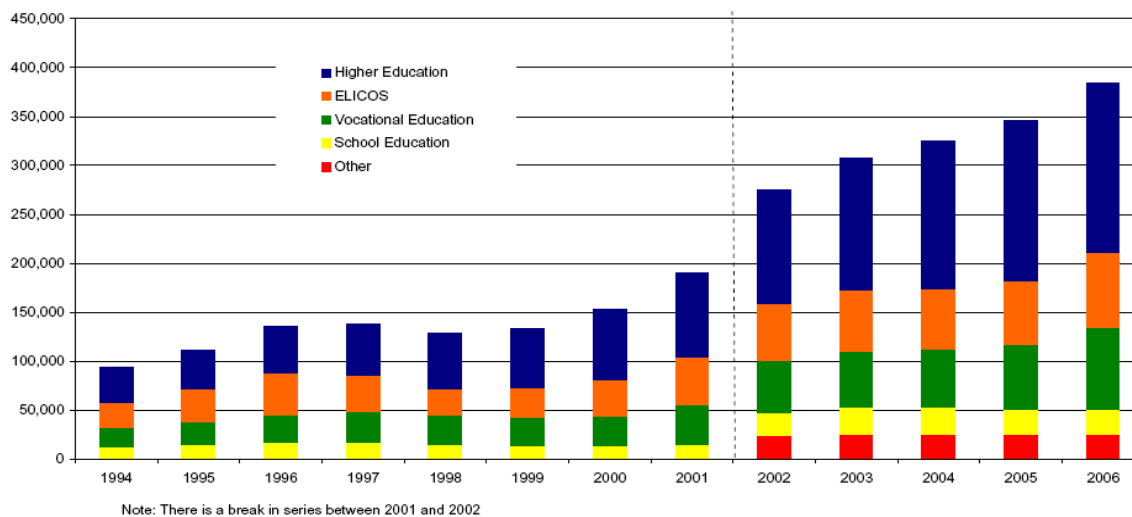
5.4 Since 2002 there has been a 49 per cent increase in the number of international students studying at higher education institutions. There has been a similar increase in VTE enrolments (54 per cent), but a smaller increase in English language enrolments (34 per cent). Growth in school enrolments has been negligible at around 6 per cent.⁵

Figure 5.1 Education exports 1991-92 to 2005-06



Source Department of Education, Science and Training, Submission no. 47, p. 1.

Figure 5.2 International student enrolments 1994-2006



Source Australian Education International, 2006 annual international student statistics, Australian Education International, 2007, viewed 7 May 2007, <http://aei.dest.gov.au/AEI/MIP/Statistics/StudentEnrolmentAndVisaStatistics/2006/2006Annual_Stats.htm>.

5 Australian Education International, 2006 annual international student statistics, Australian Education International, 2007, viewed 7 May 2007, <http://aei.dest.gov.au/AEI/MIP/Statistics/StudentEnrolmentAndVisaStatistics/2006/2006Annual_Stats.htm>.

- 5.5 Australia's key source market for international students is China with 90,287 enrolments in 2006—nearly double the number of enrolments in 2002. India is the second largest market for the industry with 39,166 enrolments. The number of enrolments from India has almost quadrupled since 2002.⁶ Other markets to enjoy impressive growth include Brazil, Vietnam, Germany, the Middle East, Sri Lanka and Canada.⁷
- 5.6 Despite the dramatic growth from China and India, in particular, five of Australia's top 10 markets—Hong Kong, Malaysia, Japan, Indonesia and the United States—have been in decline in recent years (see table 5.1 below).⁸

Table 5.1 International student enrolments in Australia from top 10 source countries, 2002 to 2006

Country	2002	2003	2004	2005	2006	% Change 2005 to 2006
China	48,088	60,076	70,556	81,730	90,287	10.5%
India	11,370	14,374	20,752	27,605	39,166	41.9%
Korea, Republic of (South)	18,700	22,195	23,816	26,319	31,257	18.8%
Hong Kong	22,148	23,970	22,968	21,343	20,523	-3.8%
Malaysia	17,542	19,825	20,003	19,362	19,166	-1.0%
Thailand	15,737	17,093	16,316	16,514	17,889	8.3%
Japan	17,418	19,497	20,037	19,053	17,804	-6.6%
Indonesia	21,048	20,422	18,138	16,121	15,038	-6.7%
United States of America	11,120	12,584	12,793	12,585	12,045	-4.3%
Brazil	4,233	3,822	4,731	7,081	10,190	43.9%
Sub-total	187,404	213,858	230,110	247,713	273,365	10.4%
Other nationalities	87,473	94,102	95,246	98,366	110,453	12.3%
Total	274,877	307,960	325,356	346,079	383,818	10.9%

Source Australian Education International, 2006 annual international student statistics, Australian Education International, 2007, viewed 7 May 2007, <http://aei.dest.gov.au/AEI/MIP/Statistics/StudentEnrolmentAndVisaStatistics/2006/2006Annual_Stats.htm>.

- 5.7 Business and management courses are the most popular for international students studying in Australia, as explained by Department of Education, Science and Training (DEST):

6 Australian Education International, 2006 annual international student statistics, Australian Education International, 2007, viewed 7 May 2007, <http://aei.dest.gov.au/AEI/MIP/Statistics/StudentEnrolmentAndVisaStatistics/2006/2006Annual_Stats.htm>.

7 Department of Education, Science and Training, *Submission no. 35*, p. 7.

8 Australian Education International, 2006 annual international student statistics, Australian Education International, 2007, viewed 7 May 2007, <http://aei.dest.gov.au/AEI/MIP/Statistics/StudentEnrolmentAndVisaStatistics/2006/2006Annual_Stats.htm>.

Since 2002, the proportion of international higher education and VTE enrolments in the field of business administration and management has increased to 40%, while computer science and information systems have dropped to 13% (down from 22% in 2002). Other fields of study account for only small proportions of total enrolments. Services, hospitality and transport increased (now 9% of the total). Enrolments in both arts and engineering have increased, though both these fields have declined slightly as proportions of the total. Health and education have increased strongly, though from relatively small bases.⁹

- 5.8 DEST also explained that much of Australia's international education services are provided to students not residing in Australia:

Australian education providers continue to have a strong presence in overseas markets, particularly in the Asia-Pacific region. In 2003, the Higher Education Statistical Collection recorded 73,582 higher education enrolments by students not resident in Australia. Of these enrolments, 58,930 were enrolments with providers based outside Australia and 14,652 were enrolments in distance education with providers in Australia. This figure grew to 76,575 enrolments in 2004, an increase of 4 per cent. There were 64,707 enrolments at offshore campuses and 11,868 enrolments in distance education providers.¹⁰

Issues for the industry

- 5.9 The committee received a substantial amount of evidence on the international education industry. Some of the key issues for the industry are discussed below.

Increasing international competition

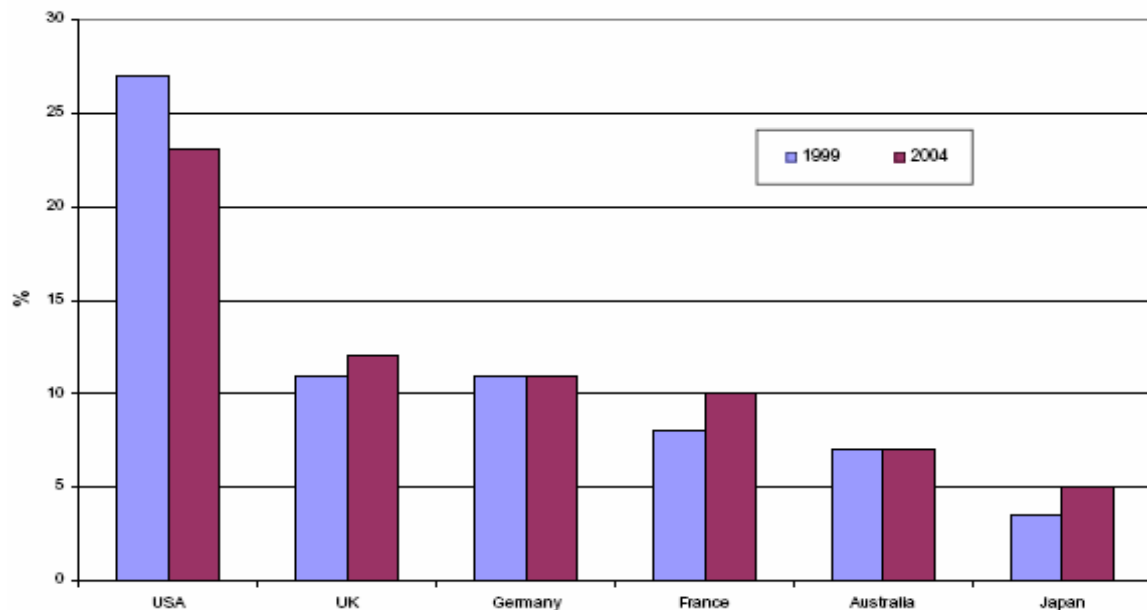
- 5.10 In recent decades Australia has built a highly successful international education industry. Australia is the fifth most popular study destination in the world. However, Australia's share of international higher education

9 Department of Education, Science and Training, *Submission no. 35*, p. 9.

10 Department of Education, Science and Training, *Submission no. 35*, p. 10.

remained stagnant from 1999 to 2004 (see figure 5.3 below), despite the fact that enrolments in Australian institutions doubled.¹¹

Figure 5.3 Market share of international higher education, 1999 and 2004



Source Department of Education, Science and Training, *Submission no. 35*, p. 11.

5.11 This reflects the fact that there is strong and increasing global competition for international students. The threat to Australia's education export market from growing competition was discussed by a number of witnesses and submissions. Treasury, for example, commented that 'competition is intensifying in the Asia-Pacific education market as Asian universities are offering modern facilities.'¹² Similarly, DEST reported that 'the global international education market is increasingly competitive as other nations enhance their domestic and international capabilities.'¹³

5.12 Professor Ian Young of the Australian Vice-Chancellors' Committee (AVCC) hypothesised about the effect declining international student revenues might have on Australian universities:

Probably more than 20 per cent of the budgets of most Australian universities are based on international fee revenue ... if you turned that off tomorrow, the viability of many Australian universities would be questionable.¹⁴

11 Department of Education, Science and Training, *Submission no. 35*, p. 11.

12 The Treasury, *Submission no. 30*, p. 7.

13 Department of Education, Science and Training, *Submission no. 35*, p. 12.

14 Professor I Young, Australian Vice-Chancellors' Committee, *Transcript of evidence*, 2 March 2007, p. 47.

- 5.13 Of course, no one, including Professor Young, is suggesting that Australia's international education market will disappear. However, as countries in our region develop their educational capabilities Australia's market share is likely to be challenged. The early stages of this effect may already be evident, with students from Japan, Hong Kong, Indonesia and Malaysia in decline in recent years (table 5.2 above). The challenge of increased competition was summarised by DEST:

Traditional markets in Southeast Asia have been stagnant or declining for a few years. As other countries in Asia invest in their domestic education systems and develop their economies, there is a long-term prospect that this could happen elsewhere too. Australia's (relative) geographical proximity may become less attractive to Asian students as Singapore, Japan and China develop as study destinations. The governments of Singapore, Malaysia and China have announced initiatives to increase their international education enrolments and are seeking a greater share of the market.¹⁵

- 5.14 Despite these challenges, the industry expects growth to continue in the short to medium term, as explained by the AVCC:

It is a fact that a whole range of countries around the world are increasing their capacity to educate in-country. That will undoubtedly impact on our ability to continue to grow at the sorts of rates we have seen. My expectation and the predictions we have from agencies like IDP are that we probably can expect a continued growth for the foreseeable future – and by that I mean five to six years – of probably seven or eight per cent. So there will be slower growth than we have seen in the past, but my expectation is that we will continue to see growth.¹⁶

- 5.15 While growth is anticipated in the face of increasing competition, one concern for the industry is that it relies heavily on just a few countries for the bulk of enrolments. DEST expanded on this issue, stating:

Australia's rather narrow market position – in terms of source countries and levels and fields of study – may potentially be an issue ... There remains a strong reliance on enrolments from China and India. This reliance on a few key source countries makes the

15 Department of Education, Science and Training, *Submission no. 35*, p. 12.

16 Professor I Young, Australian Vice-Chancellors' Committee, *Transcript of evidence*, 2 March 2007, p. 47.

sector vulnerable to shocks from economic or other causes of instability.¹⁷

- 5.16 DEST noted that the industry has been relatively successful in ‘diversifying enrolments—especially through attracting more students from the Americas, Europe and the Middle East.’¹⁸ Professor Young of the AVCC was confident the industry would continue to broaden its base:

We will diversify the countries that the students are coming from. Undoubtedly the competition to do this is increasing, but Australia will continue to be competitive while we can continue to convince people that they get a quality education by coming here.¹⁹

Committee conclusions

- 5.17 International education has been one of Australia’s exporting success stories in recent decades. Australia’s traditional competitors in the international education market, the United States and the United Kingdom, continue to target growth in international student numbers. In addition to this traditional competition, the industry is now facing competition from many of our neighbours in the Asian region.
- 5.18 Countries like Singapore, China and Malaysia are rapidly developing their own high-quality educational institutions and are offering more courses in English. Not only are these countries developing capacity to educate their own citizens, they are also competing to attract students from other countries in the region. Evidence to this inquiry recognised that the increasing educational capacity in our region will eventually have some effect on the demand for Australian educational services.
- 5.19 Educational institutions, with the assistance of governments, must develop and implement new strategies if the industry is to maintain its current market share. One such strategy is to diversify the source countries and fields of study of international students. Government and industry have recognised the need to do this and already appear to have had some success, with good growth in non-traditional markets in recent years. Clearly, more source market diversification will need to occur into the future as competitive pressures affect our traditional markets.

17 Department of Education, Science and Training, *Submission no. 35*, p. 12.

18 Department of Education, Science and Training, *Submission no. 35*, p. 12.

19 Professor I Young, Australian Vice-Chancellors’ Committee, *Transcript of evidence*, 2 March 2007, p. 47.

- 5.20 A number of other strategies aimed at preparing the industry for the future were identified in evidence and are discussed later in this chapter under the heading *Opportunities for growth and policies for realisation*. The strategies include a coordinated approach to marketing, new methods of education delivery, and linking education and tourism.

Student visas

- 5.21 Issues surrounding student visas were one of the key features of evidence on the international education industry. There was a general theme that Australia's visa requirements are quite tough when compared to our major competitors – particularly the United Kingdom and New Zealand.

- 5.22 The University of South Australia summarised the approach the industry believes the government should take to student visas:

In relation to visa requirements, the University believes there is a need for the immigration regulatory environment to be:

- responsive to changing regulations among competitors; and
- open enough not to be a barrier, but stringent enough not to flood the market beyond university capacity.

- 5.23 There were two specific concerns raised about Australian study visas, which will be discussed separately below. These are:

- Visas for English language students; and
- Comparatives costs of student visas.

Visas for English language students

- 5.24 The 'English language intensive courses for overseas students' (ELICOS) industry is significant for the education industry. According to the Australia Education International (AEI) statistics detailed above, there were 77,468 ELICOS enrolments in 2006 – approximately 20 per cent of all overseas enrolments.²⁰ Research presented to the committee by English Australia (EA), the peak body representing the ELICOS industry, put the number of enrolments considerably higher. The EA research reported that

20 Australian Education International, *2006 annual international student statistics*, Australian Education International, 2007, viewed 7 May 2007, <http://aei.dest.gov.au/AEI/MIP/Statistics/StudentEnrolmentAndVisaStatistics/2006/2006Annual_Stats.htm>.

in 2005 there were 101,807 ELICOS enrolments.²¹ Both figures, regardless of which is more accurate, highlight the importance of the ELICOS industry to the Australian economy.

5.25 Japan and South Korea are the two major source nationalities for the ELICOS industry. Asian nationalities represent approximately 80 per cent of total enrolments.²²

5.26 Students from China are, despite being by far the most numerous and important for Australia's international education industry as a whole, comparatively much less numerous and important to the ELICOS industry. Sue Blundell of EA told the committee that this apparent discrepancy is caused by the onerous visa requirements placed on potential Chinese English language students.²³

5.27 Student visa applications are evaluated according to an 'assessment level', as explained on the 'Study in Australia' website:

The assessment level is determined by the passport held and visa subclass applied for. The assessment levels relate generally to how likely students are to comply with their visa conditions, based on previous students' behaviour. Assessment level 1 represents the lowest assessment level and assessment level 5 the highest. The higher the assessment level, the more evidence you will need to provide to demonstrate your financial capacity, understanding of the English language and other relevant matters.²⁴

5.28 China is one of the few countries with a level 4 rating for ELICOS study visas. The others are Cambodia, Lebanon, Pakistan and Vietnam. One of the requirements of a level 4 applicant is to have achieved a minimum 5.0 band score on the International English Language Testing System (IELTS) test.²⁵

5.29 Sue Blundell of EA explained that a score of 5.0 on the IELTS test 'means being vocationally fluent in English language.'²⁶ It is argued that this requirement effectively restricts many Chinese people, as well as people from other level 4 countries, from coming to Australia to learn English:

21 English Australia, *Submission no. 9*, p. 6.

22 English Australia, *Submission no. 9*, p. 6.

23 Ms S Blundell, English Australia, *Transcript of evidence*, 14 November 2007, p. 10.

24 Australian Government, *Student visa requirements*, Australian Government, 2007, viewed 8 May 2007, <<http://studyinaustralia.gov.au/Sia/en/WhatToStudy/howtoapply/visarequirements.htm>>.

25 Australian Government, *Entry requirements*, Australian Government, 2007, viewed 8 May 2007, <<http://studyinaustralia.gov.au/Sia/en/WhatToStudy/howtoapply/visarequirements.htm>>.

26 Ms S Blundell, English Australia, *Transcript of evidence*, 14 November 2007, p. 10.

It is like you wanting to go and study French in France and the French not letting you in because you cannot speak French already.²⁷

5.30 Ms Blundell argued that there is a significant opportunity in the Chinese market effectively being wasted:

We are missing out on those students who are going to the US, to the UK—to New Zealand—to study at that level to build up their language skills before they come to Australia. In terms of yield, we are getting them for maybe 10 weeks of English when we could be getting them for 40 weeks of English. In terms of return on investment, it is a very poor strategy.

...

Especially when you look at the fact that China is getting the Olympics and the fact that the World Expo is taking place in China. They really need to improve their language skills.²⁸

Comparative cost of student visas

5.31 The fee charged to obtain a visa to study in Australia, while comprising a very small percentage of the total fees an international student will pay, was seen to be a factor in the attractiveness of Australia as a study destination. Specifically, Australian visa fees are significantly more expensive than our major competitors—the United Kingdom, the United States and New Zealand (see table 5.2 below).

Table 5.2 Comparative student visa costs

Country	Visa Application cost (\$AU)
Australia	\$490*
United Kingdom	\$258
New Zealand	\$124 in NZ \$176 outside of NZ
United States of America	\$161.00 plus \$124.00 SEVIS** fee for students

* This amount includes the permission to work application fee of \$60 which the Department of Immigration and Citizenship will shortly incorporate into the overall visa application cost for all students.

** 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.

Source Australian Vice-Chancellors' Committee, *Submission no. 55*, p. 1.

27 Ms S Blundell, English Australia, *Transcript of evidence*, 14 November 2007, p. 13.

28 Ms S Blundell, English Australia, *Transcript of evidence*, 14 November 2007, p. 13.

- 5.32 Representative of the Western Australian Department of Education and Training, Tom Grace, highlighted concerns, not only with the cost of visas, but also with the time taken to process them:

Of particular interest is that Australia has the highest student visa fees by far when compared with New Zealand, the UK and the US. Not only are the visas more expensive but the application process, especially the time taken to obtain a visa, does not compare with our competitors.²⁹

- 5.33 While visa fees are a small part of the total costs paid by international students, Professor Ian Young of the AVCC explained that many of Australia's source markets are 'sensitive to upfront costs.'³⁰

Committee conclusions

- 5.34 Student visa requirements are a challenging issue for the government. There is need to strike a balance between being strict enough to ensure the system is not abused, and being lenient enough to ensure that as many legitimate international students can study here as possible. There is also a need to have requirements which are competitive internationally. Evidence to this inquiry suggests that at present the balance is not quite right – that Australian visa requirements are too harsh in some areas.
- 5.35 In terms of the ELICOS industry, there appears to be a good growth opportunities in the Chinese market, which are effectively being constrained by stringent visa requirements.
- 5.36 The committee understands the need to have more stringent visa requirements placed on people from countries considered to be at high risk of overstay – a so-called 'level 4' assessment level. In particular, it is important that people from these countries demonstrate their financial capacity, health and immigration history. These measures undoubtedly assist in reducing overstays. However, it is doubtful whether requiring a person to be vocationally fluent in English has any effect on the rate of overstays. In fact, it may be more likely that someone fluent in English would overstay as it is easier for them to find work and adapt to the Australian society.
- 5.37 The stringent English language visa requirement greatly restricts the number of Chinese students who can study English in Australia. The

29 Mr T Grace, Western Australian Department of Education and Training, *Transcript of evidence*, 20 February 2007, p. 40.

30 Professor I Young, Australian Vice-Chancellors' Committee, *Transcript of evidence*, 1 March 2007, p. 48.

Chinese market could be huge for the ELICOS industry – as it is for the rest of the international education industry. The committee believes that the English language requirement should be removed from level 4 ELICOS visas. The committee is, of course, of the view that the other stringent visa requirements (financial capacity assessment and other background checks) should remain in place. Removing the English language requirement would be of great benefit to the ELICOS industry and the Australian economy.

- 5.38 The cost of study visas is certainly not the definitive issue for the international education industry. It is, however, an issue that may have some effect on Australia's competitiveness as a study destination. As was noted in evidence, some of our source markets, particularly in the Asian region, can be put off by higher upfront costs. It is therefore possible that Australia's higher visa costs may result in some potential students studying in other countries.
- 5.39 Given the increasing competitiveness of the international education industry, the fact that visa costs may impact on a student's decision to come to Australia is of some concern. The committee therefore believes the government should consider lowering its student visa costs.

Recommendation 12

- 5.40 **The committee recommends that the government assess the overall competitiveness of its student visa requirements (ease of application, assessment criteria etc) against our major international competitors, the United Kingdom, the United States and New Zealand.**

In addition to this generic review, the committee has identified two specific visa issues which should be addressed:

- **The government should consider lowering student visa fees; and**
- **The government should consider removing the English language competency test requirement from all English language study visas.**

Issues for private education providers

- 5.41 Private education providers are another important part of the international education industry. As outlined by Tim Smith of the Australian Council for Private Education and Training (ACPET), private providers account for a large share of Australia's international education market:

Of the overseas students studying in the English language, vocational and schools sectors, private providers account for over 70 per cent of the provision in 2006.³¹

Rogue providers

- 5.42 One of the issues confronting this segment of the education industry is 'rogue' providers who compromise the industry's international reputation. The committee heard during its hearings that a small proportion of private providers mistreat international students by providing poor quality education and granting qualifications for the sole purpose of facilitating permanent residency. This practice, which is sometimes referred to as 'student trafficking', was detailed by Jeanette Allen of Services Skills Australia:

What they do is they group two, three and four diplomas and advanced diplomas into a two-year program so that they meet all the [government's] requirements, deliver the qualification in an institutional setting, and then the people get recognition or points to get into the country.³²

- 5.43 Ms Allen also detailed the damage such practices do to the industry's reputation:

It does nothing for enhancing or growing the image of the industry as a viable industry and one in which the qualification carries some status.³³

- 5.44 Tim Smith of ACPET argued that government authorities do not deal with rogue providers effectively:

What particularly concerns my organisation is that DEST will not act to deal with individual providers who are embarrassing the system.³⁴

31 Mr T Smith, Australian Council for Private Education and Training, *Transcript of evidence*, 14 March 2007, p. 46.

32 Ms J Allen, Service Skills Australia, *Transcript of evidence*, 14 March 2007, p. 31.

33 Ms J Allen, Service Skills Australia, *Transcript of evidence*, 14 March 2007, p. 31

- 5.45 In a submission responding to the claims of ACPET, DEST said that it will always act to protect the industry:

There is no evidence to support, and the Department strongly rebuts, claims that DEST may be reluctant to investigate or take action in regard to allegations against a provider for breaches of the ESOS Act and/or National Code. DEST instigates its own compliance and enforcement action to investigate those providers who may be in breach of the ESOS Act and/or its National Code. It will also investigate allegations that are accompanied by a minimum level of supporting information.³⁵

- 5.46 While making this point, DEST did acknowledge there is an industry perception that it is reluctant to use its powers against rogue operators:

The ESOS Act evaluation did find a perception among industry stakeholders that whilst the enforcement powers under the ESOS Act are sufficient, that they are not used often or quickly enough.³⁶

Compliance costs

- 5.47 Private education providers also voiced concerns about the costs of compliance with education regulation. Tim Smith of ACPET spoke about regulation in general terms, stating:

The one point on which the universities, the public sector, the TAFE sector and us share a common point of view is that there is a perception and experience of over-regulation.³⁷

- 5.48 Mr Smith also talked more specifically about a regulatory gap between private and public providers:

Private providers appreciate and accept the need for regulation. Our request is that the regulation apply fairly and evenly to all providers, public or private. In the overseas market there is a glaring disparity between the requirements placed on providers in the public and private sectors. Under section 22 of the Education Services for Overseas Students Act 2000, registered providers are required to belong to the tuition assurance scheme, or TAS, unless

34 Mr T Smith, Australian Council for Private Education and Training, *Transcript of evidence*, 14 March 2007, pp. 51-52.

35 Department of Education, Science and Training, *Submission no. 56*, p. 6.

36 Department of Education, Science and Training, *Submission no. 56*, p. 7.

37 Mr T Smith, Australian Council for Private Education and Training, *Transcript of evidence*, 14 March 2007, p. 51.

exempted by regulation. Section 24 of the act requires non-exempt providers also to contribute to the ESOS national assurance fund which was established under part 5 of the legislation. Unfairly, public providers are exempt from making contributions under both of these sections.³⁸

- 5.49 DEST told the committee that the exemption of public providers 'broadly reflects the relative risks attached to these providers in the event of a major default in their obligations to overseas students.'³⁹

Committee conclusions

- 5.50 Private providers are an important contributor to Australia's exports of education services. The export success of all education providers, not just private providers, is dependent on an international reputation for quality. Plainly, 'rogue' providers who treat international students poorly, or set up institutions with the sole aim of providing a pathway to migration, damage this reputation.
- 5.51 The industry voiced complaints about DEST's reluctance to act against rogue providers. DEST strongly refuted these claims but acknowledged that this perception does exist. It is not the committee's role to play arbiter in this dispute. Instead, the committee believes there is scope for an external review of DEST's performance in relation to this matter.
- 5.52 The compliance burdens imposed on the education sector appear to be mostly related to quality assurance. A strong quality assurance framework is imperative for the sector and as such stringent compliance is justified. In terms of the apparent regulatory gap between private and public providers, the committee believes it is appropriate for public providers not to pay into the assurance funds. Public providers are funded and administered by state governments, or are in receipt of recurrent commonwealth funding, and therefore the risk is low that they will fail in their obligations to students.

38 Mr T Smith, Australian Council for Private Education and Training, *Transcript of evidence*, 14 March 2007, p. 47.

39 Department of Education, Science and Training, *Submission no. 56*, p. 6.

Recommendation 13

- 5.53 The committee recommends that the Auditor-General conduct a performance audit of the Department of Education, Science and Training's compliance and enforcement action in relation to alleged breaches of the Education Services for Overseas Students Act and its National Code.

Opportunities for growth and policies for realisation

- 5.54 Evidence to this inquiry highlighted a number of opportunities to grow, or at least maintain, the international education industry. Some of the most important opportunities are discussed below.

International education promotion

- 5.55 The marketing of Australia as an education destination is an important factor in maintaining or growing Australia's international education market share. DEST's international branch, AEI, has a role in 'generic promotion and marketing' of the industry.⁴⁰ AEI markets the industry under the 'Study in Australia' brand. An important part of this brand is the Study in Australia website:

We have a website that is very well used. It is a portal in 12 languages that draws students in once they choose which country. It then goes into state and individual institutions.⁴¹

- 5.56 AEI has a presence in 26 locations across 18 economies supporting the goal of broadening the base of Australia's international education market. In addition to AEI's explicit presence, it also has a partnership arrangement with Austrade:

40 Department of Education, Science and Training, *Submission no. 35*, p. 4.

41 Ms F Buffinton, Australian Education International, *Transcript of evidence*, 1 December 2007, p. 44.

Under the AEI/Austrade Partnership Agreement 2002/2005 Austrade undertakes promotion and marketing activities in Europe on behalf of AEI. The agreements are centrally coordinated by the Austrade office in Copenhagen.⁴²

- 5.57 While not critical of the work done by AEI, a number of industry participants argued that Australia's international education marketing could be improved with better coordination between federal and state bodies, as well as the industry. Deakin University, for example, argued:

Evidently there are clear links between educational promotion and the broader projection of Australia, especially into our region, and Deakin therefore believes that greater coordination is required of generic marketing and promotional work for the export of Australian education services.⁴³

- 5.58 Professor Ian Young of the AVCC shared similar sentiments:

From the point of view of promoting Brand Australia, it is important that we do not confuse the market. Promoting Australia on the one hand but promoting individual states on the other becomes confusing for a student. I do not want to denigrate any of the things that those groups are doing—they all mean well—but trying to get better coordination across those individual groups would be a very positive thing for the future of education in Australia.⁴⁴

Committee conclusions

- 5.59 Brand promotion, as discussed in detail in chapter 3, is an important factor in the future of services exports. This is particularly true in the competitive international education industry. AEI, the federal government's international education agency, has a presence in key markets around the world and has recently launched an impressive, 12 language promotion and information website. The industry generally agreed that AEI is doing a good job promoting a generic Australian education brand.
- 5.60 However, there was some industry concern about the fragmented nature of international education promotion. In addition to federal promotion through AEI, some of the states and territories run their own campaigns,

42 Australian Education International, *International network*, AEI, Canberra, viewed 12 May 2007, < <http://aei.dest.gov.au/AEI/AboutAEI/AEICContacts/InternationalNetwork/default.htm>>.

43 Deakin University, *Submission no. 19*, p. 2.

44 Professor I Young, Australian Vice-Chancellors' Committee, *Transcript of evidence*, 2 March 2007, p. 47.

which can be seen as confusing for international students. Of course, at a federal level there is a common goal of trying to bring students to Australia. At a state level there is no common goal—there is, in fact, intense competition for international students. State and territory governments are understandably focussed on growing their own economies by attracting as many international students as possible.

- 5.61 Because of the individual interests of states and territories, there can never be just one body promoting Australian education. States and territories will always be in competition with each other to attract students, and, as such, governments will always continue their own promotion activities.
- 5.62 Having said this, there does appear to be scope for some degree of coordination between all the federal, state and territory agencies promoting Australian education. Each state and territory could, for example, promote the federal government's 'Study in Australia' brand alongside its own brand. By doing so the problem of confused potential international students could be avoided.
- 5.63 Recommendation 5 in chapter 3 proposes the establishment of a 'Brand Australia Council'—a structure aimed at encouraging communication and coordination between government promotion agencies. AEI, as a key promotion agency, would be an important part of this structure. It is possible that the Brand Australia Council structure could facilitate communication and coordination between AEI and state and territory agencies on Australia's generic education brand.

New methods of education delivery

- 5.64 The competitive pressures facing the international education industry demand that the industry adopt new and innovative strategies. One of the strategies being implemented is to focus more on new methods of education delivery. Professor Ian Young of the AVCC provided a summary of some of the new approaches being adopted:

We are seeing Australian institutions now move more and more into transnational activities: partnership arrangements in various countries; offshore campuses in various countries; distance education-type elements; and providing courseware and software to countries.⁴⁵

45 Professor I Young, Australian Vice-Chancellors' Committee, *Transcript of evidence*, 2 March 2007, p. 50.

- 5.65 Professor Young also summarised the attitude needed by the industry to capitalise on new international opportunities:

There are any number of international competitors out there and it is critically important for us not to put the shutters up around the borders of Australia and expect everyone to come to us. We have to be part of it.⁴⁶

Offshore institutions and partnering arrangements

- 5.66 One of the most important new methods of education delivery is Australian education providers setting up institutions offshore or partnering new overseas institutions. The extent of this practice was discussed by Fiona Buffinton of AEI:

We also have a growing delivery of Australian education—what we term transnational delivery ... there are about 100,000 students undertaking Australian qualifications offshore, of which about 75,000 are in higher education and about 25,000 are in vocational education.⁴⁷

- 5.67 The Department of Foreign Affairs and Trade (DFAT) argued that offshore opportunities for the industry are likely to continue as Asian nations look to extend their in-country education capacity.⁴⁸ Professor Young of the AVCC agreed that offshore delivery is likely to become increasingly important for Australian institutions:

One of the new and emerging elements of international education—and, indeed, I think this will be how it evolves in the future—is that Australia will do more things offshore than it currently does here. The current model, which is to bring students to Australia and educate them here and send them home, has a finite lifetime to it.⁴⁹

Distance education

- 5.68 Another method of offshore delivery is using IT to deliver courses electronically—often referred to as ‘distance education’. DFAT reported

46 Professor I Young, Australian Vice-Chancellors’ Committee, *Transcript of evidence*, 2 March 2007, p. 45.

47 Ms F Buffinton, Australian Education International, *Transcript of evidence*, 1 December 2007, pp. 41-42.

48 Department of Foreign Affairs and Trade, *Submission no. 34*, p. 14.

49 Professor I Young, Australian Vice-Chancellors’ Committee, *Transcript of evidence*, 2 March 2007, p. 50.

that 'significant numbers of students study through distance education, where Australia is an international leader.'⁵⁰

- 5.69 Similarly, the Department of Communications, Information Technology and the Arts told the committee that 'Australia has developed world leading capabilities in ICT-based distance education services.'⁵¹

Exporting our expertise

- 5.70 As Asian nations build their own institutions there is an opportunity for Australia's education industry to export its expertise—to teach the new institutions how to operate effectively. Fiona Buffinton of AEI explained that the industry needs to embrace new institutions developing in our region:

As China and Malaysia develops, is it stand alone or is it in partnership with Australia or using Australian curriculum?⁵²

- 5.71 There was some industry concern that vocational education training packages, which can be exported to countries developing education institutions, are freely available online. Service Skills Australia highlighted this concern:

At the moment all of our training materials, training packages and everything, are listed on what is called the national training information system and can be downloaded free to anybody, anywhere in the world.⁵³

...

Australia's Training Packages and competency standards are a valuable and marketable export commodity and as such should not be freely available to offshore markets but treated as a saleable product.⁵⁴

- 5.72 DEST explained that the purpose of having training packages available online is to make them available to all Australians:

The Australian Government's position is that training packages should be made available to industry and the Australian

50 Department of Foreign Affairs and Trade, *Submission no. 34*, p. 10.

51 Department of Communications, Information Technology and the Arts, *Submission no. 49*, p. 15.

52 Ms F Buffinton, Australian Education International, *Transcript of evidence*, 1 December 2007, pp. 41-42.

53 Ms J Allen, Service Skills Australia, *Transcript of evidence*, 14 March 2007, p. 28.

54 Service Skills Australia, *Submission no. 7*, p. 2.

community. This ensures the investment made by the Australian Government in funding the development of training packages allows access to industry and increases usage by both formal and informal users. It supports the domestic economic agenda by making available the key resources necessary to increase the skills of the Australian workforce.⁵⁵

Committee conclusions

- 5.73 International education is of most benefit to Australia when international students are educated in Australia. International students educated in Australia benefit many parts of the economy (the retail industry, for example), not just the education industry. There is always likely to be a willingness for students to come to Australia because of factors such as lifestyle, the enhanced prospects of migration, and a chance to improve English skills. However, it is likely that demand to come to Australia will slow as educational institutions are developed across Asia.
- 5.74 To protect against possible declining demand, the industry has implemented a number of new ways of exporting education, which should assist in maintaining a strong demand for the Australian industry. Australian institutions are setting up offshore or engaging in partnering arrangements with offshore institutions. These arrangements ensure that the Australian industry is able to provide face-to-face services both in Australia and offshore.
- 5.75 Another important strategy is offering more courses via distance education. Australia has been at the forefront of developing technology to support increasing demand for distant education.
- 5.76 The industry is also increasingly exporting its expertise to new institutions in the region. The Australian industry is well regarded in terms of quality and therefore infant institutions are looking to Australian providers for best practice guidance. There was some industry concern that having vocational education training packages available online does not support the export of Australian expertise—that is, international providers can easily access and implement Australian training packages free of charge. DEST explained that the packages should be online for the Australian industry and public. If evidence emerges that international providers are exploiting Australian training packages then there may be reason for DEST to reconsider its current approach.

55 Department of Education, Science and Training, *Submission no. 56*, p. 2.

International education and tourism

5.77 Study tourism is important for both the education industry and tourism industry. Many students who come to Australia to undertake a short-term course—such as an English language course—combine their trip with leisure tourism experiences. Sue Blundell of EA discussed the importance of study tourism to the ELICOS market:

Of the 100,000-plus enrolments to study English, there is about a fifty-fifty split between those on student visas and those on other temporary entry visas, and most of the latter fall into the category of study tourism.⁵⁶

5.78 In addition to short-term arrivals, students who come to Australia to undertake long-term university or vocational qualifications are also likely to take a holiday at some time during their stay. Long-term students can also be visited by friends and family, again adding to the tourism industry.

5.79 There are other forms of study tourism beyond international students and their families, as explained by DEST: 'school visits and educational tours are significant export activities.'⁵⁷

5.80 While it is evident that study related tourism is important to Australia, there is little known about the true extent of this market. Sue Blundell of EA spoke about the fact no data are available on the contribution of study tourism:

One indicator of the lack of leadership in this area is the fact that we actually lack national data on the true size of study tourism and the contribution that it makes.⁵⁸

5.81 The Department of Industry, Tourism and Resources outlined the government's current involvement in the study tourism market:

Tourism Australia (TA) continues to promote Australia as a destination for education/study tourism. The TA website includes a number of interactive tools for students, teachers and parents.

...

The Australian Government has produced a brochure *Study and Explore Australia*, which encourages students to combine learning English with tourism activities and experiences such as visiting

56 Ms S Blundell, English Australia, *Transcript of evidence*, 14 November 2007, p. 11.

57 Department of Education, Science and Training, *Submission no. 35*, p. 13.

58 Ms S Blundell, English Australia, *Transcript of evidence*, 14 November 2007, p. 11.

wildlife sanctuaries, rainforest walks, horse riding and scuba diving.⁵⁹

- 5.82 There was a view that there could be more government coordination in targeting and understanding study tourism. This view was expressed in the context in the context of the ELICOS industry by Sue Blundell of EA:

At present we believe there is no coordinated government approach to this significant area of service industry export growth which already accounts for more than 50,000 people a year. We submit that a more coordinated approach by all relevant departments and agencies would facilitate further growth in this area.⁶⁰

- 5.83 DEST, however, cautioned against linking tourism and education too closely:

There is a strong argument that linking tourism with education too closely could seriously undermine the current high level of quality and protection provided by the Australian Government.⁶¹

Committee conclusions

- 5.84 The combination of our two biggest service exports, tourism and education, is important for the future of both industries. The most notable form of study tourism involves combining short-term education courses with leisure tourism experiences. Other areas with education and tourism interplay include holidays taken by long-term students, visits by the friends and family of long-term students, and schools from other nations visiting Australia.
- 5.85 The government, through Tourism Australia, plays a role in promoting study tourism. However, evidence to this inquiry argued that the government's role needs to be extended. It was also argued that there could be better coordination between the key tourism and education agencies—Tourism Australia and Australian Education International. DEST (of which AEI is a component) cautioned against too strong a link between tourism and education, arguing that it might adversely affect the quality of Australia's education.
- 5.86 Provided that Australia's education industry continues to be supported by the current stringent quality assurance framework, there is no reason to

59 Department of Industry, Tourism and Resources, *Submission no. 21*, p. 18.

60 Ms S Blundell, English Australia, *Transcript of evidence*, 14 November 2007, p. 11.

61 Department of Education, Science and Training, *Submission no. 35*, p. 13.

think promoting education and tourism together would affect the quality of education provided to international students. As such, there appears to be scope for a more coordinated government effort to promote, grow and understand the link between study and tourism.

Recommendation 14

- 5.87 **The committee recommends that the government, through Tourism Australia and Australian Education International, engages in a coordinated effort to promote, target growth in, and understand the importance of, the interplay between international education and tourism.**