

**INDUSTRY
COMMISSION**

**EXPORTS OF
EDUCATION SERVICES**

**REPORT NO. 12
14 AUGUST 1991**

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INDUSTRY COMMISSION

14 August 1991

Honourable J C Kerin MP
Treasurer
Parliament House
CANBERRA ACT 2600

Dear Treasurer

In accordance with Section 7 of the *Industry Commission Act 1989*, we have pleasure in submitting to you the report on Exports of Education Services.

Yours sincerely

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Acknowledgment

The Commission wishes to thank those staff members who contributed to this report

CONTENTS

	Page
Abbreviations	xi
Terms of Reference	xii
OVERVIEW	1
RECOMMENDATIONS	11
1 BACKGROUND TO THE INQUIRY	
1.1 What are exports of education?	15
1.2 The background to education exports	17
1.3 Previous studies	19
1.4 Outline of the report	22
2 THE STUDENTS AND THE INSTITUTIONS	
2.1 The students	23
2.2 The institutions	32
3 COSTS AND BENEFITS OF OVERSEAS STUDENTS IN AUSTRALIA	
3.1 Introduction	35
3.2 How large are our exports?	36
3.3 Provision of education services	40
3.4 Provision of ancillary goods and services	42
3.5 Wider costs and benefits	44
3.6 Concluding remarks	48

4	THE PROBLEM OF OVERSTAY	
4.1	Introduction	49
4.2	Brief history of changes to student immigration regulations	50
4.3	Overstay	55
5	IMMIGRATION CONTROLS	
5.1	Methods of control	73
5.2	Current policy settings	75
5.3	Administration of immigration policy	85
5.4	Medical testing and health insurance	90
5.5	Conclusions	94
6	WORK RIGHTS	
6.1	Introduction	97
6.2	The availability and use of work rights	97
6.3	Work rights and the labour market	104
6.4	Work rights and incentives to enter Australia	108
6.5	Conclusions	114
7	REGULATION, CONSUMER PROTECTION AND COMPETITION	
7.1	Introduction	117
7.2	How is accreditation undertaken?	120
7.3	How effective are registration/accreditation requirements?	124
7.4	An alternative approach - allow an unaccredited sector	134
7.5	The implications for students	138
7.6	The separate roles of ELICOS and the Adult Migrant English Program (AMEP) providers	142

8 UNIVERSITIES	
8.1 Introduction	145
8.2 How are places allocated to domestic students?	146
8.3 How are places allocated to overseas students?	153
8.4 Effects of arrangements on domestic students	163
8.5 Effects of arrangements on overseas students	170
8.6 Could scarce places be allocated better?	174
9 TECHNICAL AND FURTHER EDUCATION	
9.1 Introduction	185
9.2 Overseas students	185
9.3 Fees for domestic students	189
9.4 Credit transfer and articulation of courses	191
9.5 Visa issues	193
9.6 Concluding comments	195
10 SCHOOLS	
10.1 Introduction	197
10.2 The pattern of enrolments	197
10.3 Fees charged to overseas students	199
10.4 Choice of tertiary entrance preparation	204
10.5 Offshore provision	207
10.6 Concluding comments	208
11 PROMOTION	
11.1 Introduction	209
11.2 Current promotional activity	209
11.3 Promotion undertaken by other countries	220
11.4 Should government be involved in promotion?	221

APPENDICES

Appendix A	List of participants	229
Appendix B	List of gazetted countries	233

REFERENCES	234
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TABLES

2.1	Student arrivals - main countries of origin, 1986-87 to 1989-90	24
2.2	Total student arrivals, by category, 1986-87 to 1989-90	25
2.3	Full fee paying tertiary students classified by main fields of study as at 30 June 1990	29
2.4	Funds used by students from various categories	31
2.5	Number of institutions offering approved full fee courses to overseas students at 30 June, 1986 to 1990	33
2.6	Number of students in Australian offshore education activities, 1988	34
3.1	Student expenditure on education services, 1985-86 to 1989-90 (\$ million, 1989-90 prices)	37
3.2	Fees paid by full fee paying overseas student in 1990	37
3.3	Student expenditure on other goods and services, 1985-86 to 1989-90 (\$ million, 1989-90 prices)	38
3.4	Average weekly expenditure by non-formal students (\$)	38
3.5	Survey by the Centre for International Economics (\$ per week)	39
4.1	Composition of overstayer population by visa category	57
4.2	Overstay rates for student visa classes (%)	58
4.3	Arrivals and overstayers by student visa classes	59

4.4 Overstay rates at 30 June 1990 and 30 April 1991, by country, for each student visa class (%)	60
4.5 ELICOS student overstayers by length of overstay for selected countries as at 30 April 1991	61
4.6 Student visas issued at major posts, 1989 and 1990	66
5.1 PVA rejection rates for January to September 1990	76
8.1 Indicative funding relativities for disciplines (per year), 1990	148
8.2 Indicative minimum fees for full fee overseas students, 1989 to 1992 (\$ per year)	155
8.3 Annual fees for full fee overseas students at selected universities in 1991 (\$)	156
10.1 Full fee paying overseas students in schools, 30 June 1986 to 1990	198
11.1 IDP: average student application charge by type of institution	216

FIGURES

2.1 Arrivals stating education as purpose of visit, 1985 to 1989	23
2.2 Overseas students in Australia as at 30 June, 1986 to 1990	26
2.3 Full fee overseas students in the formal education sector as at 30 June, 1988 to 1990	27
2.4 Full fee overseas students in the non-formal education sector as at 30 June, 1987 to 1990	28

ABBREVIATIONS

AAF	Acceptance Advice Form
ACPET	Australian Council for Private Education and Training
AECs	Australian Education Centres
ABS	Australian Bureau of Statistics
AIDAB	Australian International Development Assistance Bureau
AMEP	Adult Migrant English Program
AVCC	Australian Vice-Chancellors' Committee
BIE	Bureau of Industry Economics
CIE	Centre for International Economics
DEET	Department of Employment, Education and Training
DILGEA	Department of Immigration, Local Government and Ethnic Affairs
ELICOS	English Language Intensive Courses for Overseas Students
EMDG	Export Market Development Grants
EMSS	Equity and Merit Scholarship Scheme
HECS	Higher Education Contribution Scheme
IDP	International Development Program of Australian Universities and Colleges
NACCEETS	National Consultative Committee on the Export of Education and Training Services
NBEET	National Board of Employment, Education and Training
NEAS	National ELICOS Accreditation Scheme
NEAC	National ELICOS Accreditation Committee
NOOSR	National Office of Overseas Skills Recognition
OPRSP	Overseas Postgraduate Research Scholarship Program
OSHC	Overseas Student Health Cover
PRC	People's Republic of China
PVA	pre-visa assessment
TAFE	Technical and Further Education
TESOL	Teaching of English to Speakers of Other Languages

References to the Education Services Act are to the Commonwealth's *Education Services for Overseas Students (Registration of Providers and Financial Regulation) Act 1991*.

TERMS OF REFERENCE

I, PAUL JOHN KEATING, in pursuance of Section 7 of the Industry Commission Act 1989 hereby:

1. refer the exports of education services for inquiry and report by 31 July 1991;
2. specify that the Commission report on any institutional, regulatory or other arrangements subject to the influence of governments in Australia which affect the efficient export of education services, and advise on their effects and on any appropriate changes to these arrangements;
3. specify that, in the context of the development of the export of education services, the Commission have regard to established social objectives of governments and the potential impact of export development on access to, and the cost of, education services for the Australian community;
4. specify that in the context of its inquiries, the Commission have regard to; the objectives determined by the Government for the migration program; controls over the various components of that program; and the processes for selection within each component including the provisions for off-shore recruitment;
5. without limiting the scope of the reference, specify that the Commission identify the economic (including trade and foreign affairs) costs and benefits to Australia of offering formal and non-formal courses to overseas students studying in Australia, and report on:
 - (a) impediments to growth in these course;
 - (b) the effects of regulatory arrangements, including the adequacy of existing administrative and co-ordination arrangements, accreditation and compliance costs;
 - (c) the economic costs and benefits to Australia from these courses, including the impact of those students who subsequently migrate to Australia on Australia's skills base and the implication for the Australian labour market; and
 - (d) information available on the expenses and sources of funding of students participating in such courses and the destination of students after course completion; and
6. specify that the Commission is to avoid duplication of any recent substantive studies undertaken elsewhere.

P.J. KEATING
10 December 1990

OVERVIEW

This inquiry is about the effects of enrolling growing numbers of international students in Australian educational institutions. Clearly the export industry is of cultural and economic importance to Australia, to international students and to institutions. Thus the inquiry is concerned with the effects on the supply and use of education resources, and how immigration policy might be more effective in dealing with non-genuine overseas students. But it also raises questions concerning the equity of treatment between overseas students and domestic students in access to higher education in Australia. These questions require consideration of the broader social consequences of current and proposed policies.

The inquiry did not look closely at foreign aid aspects of education provided to other countries. The appropriate level of Australia's aid to other countries, and the allocation of that aid between different programs, are not matters central to this inquiry. While not denying the potential value of educational aid, such questions are best handled in the context of the aid program generally, where consideration can be given to the tradeoffs which need to be made between this and other forms of aid.

The number of international students coming to Australia has grown rapidly since 1986, when public institutions were first permitted to enrol them and to charge fees. To date, exports have mainly taken the form of students coming to Australia. However, other exports, such as exporting courses and sending academic sending staff to teach abroad, are also taking place.

Major problems have emerged, and it is clear that many of these are yet to be solved. Some relate to the process of vetting visa applications, to prevent the entry of those who seek to use student visas as a means of illegitimately obtaining access to Australia or to its labour market. Others arise because of ongoing change in Australia's education system, where, in some respects, a dynamic market-oriented, export sector sits uneasily within the existing highly-regulated education system.

The potential for displacement of domestic students by foreigners is a key point of tension. It requires a choice to be made whether to continue to constrain the growth of the export sector or to move more rapidly to give market demand, and therefore prices, a larger role in determining provision of domestic places at universities.

Long established institutions, particularly universities, are increasingly successful in exporting education. They obtain students through direct representation in other countries, or through education agents and Australian Education Centres (AECs), and are working to build reputations for quality services. For some, overseas students have become a significant revenue source.

Increased financial returns from education exports can advantage domestic students by leading to higher teacher/student ratios and better facilities. Development of education as an export industry also brings less tangible benefits to Australia from the links established with people in geographical regions closest to Australia.

This does not mean that these exports should be expanded at any cost. We need to ensure that the development of this activity is efficient. To achieve this, we need to focus on those policies which impede growth, and ask if they are justified.

For this reason, the Commission's report is not about toting up the costs and benefits to Australia, of both financial and non-financial kinds, of education exports. Such a task has its uses. But the more important question is to focus on what might be done to make the exporting of education more consistent with maximising the welfare of Australians and of international students.

There were early problems

Government regulation of this industry, since its beginnings in 1986, has been characterised by sudden shifts in policy direction, the effects of which have been made more serious by the way in which decisions were reached and subsequently communicated to those directly affected, in Australia and overseas.

A major early mistake was the decision not to require bona fides testing of applicants for student visas. The early enthusiasm for increasing exports was later tempered by the realisation that some abuse of student visas was occurring, sometimes with the help of Australian institutions. But when the brakes were put on, the policy stance changed abruptly from one which was fairly relaxed to one which some say is now too strict and poorly targeted.

The Government's reaction to the problems in the industry was to attempt to tighten up immigration rules, and to place greater controls on educational institutions. Some say that too many changes were introduced, and that there was insufficient consultation.

Some students and institutions were left high and dry by the changes in visa requirements. Many students who had been required by the Government to prepay course fees and living expenses as a demonstration of their bona fides, were subsequently refused visas when eligibility rules changed. Several thousand students, most from the People's Republic of China, had real difficulties in obtaining refunds. Some institutions failed, partly because the supply of students from some sources dried up. The Government initially set aside \$50 million in part to refund some groups of students who were disadvantaged as a result, but this allocation has since risen considerably. To the extent that this money is not subsequently recovered from the institutions, it represents a major cost to the taxpayer.

Immigration policies

Visa rules have been tightened frequently over the past five years. The latest changes, which were aimed at reducing the complexity of earlier arrangements, came into operation in February this year, and they remain controversial, especially among Technical and Further Education (TAFE) colleges.

Some participants cited visa rules as an impediment to obtaining more students. In contrast, the Department of Immigration, Local Government and Ethnic Affairs (DILGEA) argued that current requirements are realistic in view of the number of students overstaying or otherwise infringing the conditions of their entry permits. These different views reflect the difficult tradeoffs involved.

A balance must be sought between the need to minimise the costs of excessive illegal immigration, in the form of finding and deporting those who overstay or otherwise fail to comply with visa restrictions, and the need to minimise the intensity of checks on students as possible. There are costs in being too strict, and there is a different set of costs if policy is too lenient.

Overstay rates have generally fallen, but problems with the comparability, quality and timeliness of the data make it difficult to judge whether they have stabilised. Stable overstay rates at low levels may not be costly to Australia, especially compared with the benefits obtained from providing relatively open access to overseas students. Immigration policy may have now become too strict. However, it would be prudent not to weaken immigration requirements too extensively before it could be shown that overstay had stabilised at acceptable levels.

Some recent policy changes appear to have been made without the benefit of comprehensive statistics on overstay rates. Because of poor data, it is difficult to evaluate the extent to which matters have improved. DILGEA is endeavouring to make available better and more up-to-day statistics to answer these questions. DILGEA should upgrade its collection and processing of statistics on overseas students; the results should be regularly published.

In the meantime, there is further scope to better focus policy instruments on the objectives of immigration policy. At present, efforts are channelled through screening of applicants before they enter Australia, compliance enforcement for those already here, and educational and fiduciary regulation of the institutions they attend. Some of these instruments are more effective than others, and each has different costs.

Prepayment gives students and institutions the wrong signals

The Government-imposed requirements that intending students prepay some or all the their course fees as a condition of getting a visa is not an effective bona fides test. Moreover, it has cause significant problems. It gives the wrong incentives to institutions, which have no cause to check the bona fides of students. It misleads students as to the safety of their prepaid funds, making them financially vulnerable, as recent events have shown. It also leads to pressures on the Government effectively to guarantee those funds, because it is the Government which requires prepayment in the first place.

Prepayment of course fees should no longer form part of the visa issue requirements. The timing of payment should be a matter for determination between the institution and the student. If there are concerns about the ability of bona fides testing to be effective in the absence of prepayment, bonds could be required of some marginal applicants who would otherwise have been rejected but who would likely comply under a bond arrangement. This would be refunded, in whole or in part, on proof of departure from Australia, to the extent that entry permit conditions had been adhered to.

Work rights make Australia attractive

Work rights for students make Australia a more attractive place for genuine students to seek to study, particularly as they appear to be more generous than in many competitor countries. They provide a marketing advantage to Australian institutions. However, they may also attract those who have no intention of adhering to the 20 hour a week limit, or are likely to overstay. They also may make it easier for non-genuine applicants to enter Australia, because assessment of their ability to support themselves is influenced by the presence of work rights.

Australia's objective in allowing work rights should be to obtain students who may work incidentally to their studies, not workers who occasionally study. The current allowance strikes a reasonable balance between the needs of the student, and any incentives to non-genuine applicants. Moreover, at levels observed in the recent past, the overall effects on the labour market are likely to be small but positive. This takes into account that there are residents who, because of job displacement, lose from the provision of work rights.

Except for a recommended new group of short-term students for whom work rights should not be available, the Commission does not propose that work rights for students be varied. However, spouses and dependants of students holding category A visas should be permitted to work full time.

Visitors who study

The ability of temporary entrants holding visitor visas to study in Australia is limited. The Commission recommends that visitors no longer be required to prearrange courses before they arrive in Australia.

Consultation issues

There has been criticism that too little industry consultation has occurred prior to policy changes, and there appears to be some scope for simpler administrative arrangements. It has been argued, convincingly, that problems in the industry were exacerbated by the poor way in which changes in policy were transmitted to institutions, education agents and intending students.

DILGEA and other relevant departments should make greater efforts to consult with those likely to be affected by any proposed policy change, and to give more warning in advance of when rules are to be changed. Their roles in respect of international students need to be rationalised, with emphasis on minimising the scope for overlap by allowing DILGEA responsibility for administering immigration functions.

Regulation of education providers

The accreditation and registration requirements imposed on institutions by governments place unnecessary burdens on the better institutions, both formal and non-formal, in an attempt to solve problems among a few providers in the non-formal sector. However, those problems originated in large fluctuations in overseas student arrivals, and might be more a reflection on the immigration arrangements established for the industry than on the industry itself. Instability in those arrangements, and lack of consultation and insufficient notice of change, added to the industry's problems. Immigration requirements are now better based, and many problems have been overcome. Notwithstanding this, governments are seeking to regulate the quality and financial situation of providers, and to protect the funds paid by students, in an attempt to protect Australia's international reputation.

The Commonwealth's *Education Services for Overseas Students (Registration of Providers and Financial Regulation) Act 1991* and State and Territory legislation cover similar ground. The respective roles of each are not yet clear. But under current arrangements, the Commonwealth maintains a register of institutions and courses which have been registered by State and Territory governments. Accreditation, generally by an industry body, is usually a prerequisite to registration, which may include examination of financial position.

Accreditation is essentially intended to indicate that an institution has met, or will endeavour to meet, certain quality standards. However, there is reason to doubt that quality can be, or indeed, should be, regulated in this way. Regulating inputs such as floor space and library size can never guarantee the quality of the course ultimately provided, and it is a costly process. It may also constrain innovative course design and act as a barrier to competition. Most importantly, it appears to overseas students that accreditation has given an institution a 'stamp of approval' from the Commonwealth (and the relevant State or Territory) Government.

Accreditation should be voluntary, and not a prerequisite for registration to enrol overseas students. It should be a matter for institutions to determine whether or not they will seek accreditation from a particular industry body. Some stand to benefit - they may see advantages in advertising themselves as accredited by a particular industry body. However, others who already have established reputations may not see the need to incur the costs involved, preferring to rely on their own efforts to develop a market presence.

Voluntary accreditation operates successfully in both Britain and the United States, which are Australia's main competitors in the market for English language courses. And a survey of students enrolled in English courses in Australia showed that the vast majority perceived the quality of courses offered in those countries to be higher than in Australia, where accreditation and registration is required.

The Commonwealth legislation also establishes separate, identifiable accounting of students' funds, with regular reporting to DEET of transactions involving these funds, and a requirement to set in place protection for students' prepaid fees. While some groups of institutions are exempt from these requirements, they are unnecessarily detailed and onerous for those who must comply, and represent an attempt to solve a problem which may in large part already be behind us.

The arrangements involve separate accounting for students' funds and detailed, annual reporting to DEET. This cannot guarantee protection of fees, as these accounts would remain part of the accounts of the institution. On the other hand, legally-protected trust funds would be even more expensive to establish and maintain. And the insurance or alternative arrangements required by the legislation will be expensive if they are to fully protect students. The requirements will raise the costs of providing services, and these will be incurred by good and bad institutions alike.

There should be much less reliance on institution registration processes than is currently required by governments. And control of immigration problems should be by immigration procedures, not by educational or fiduciary regulation of institutions. Adequate resources should be put into bona fides testing of applicants for entry into Australia, and attendance checking and other compliance enforcement techniques to help reduce infringement of visa conditions. DILGEA should have the power to enter premises, check attendance and impose other requirements reasonably necessary to carry out immigration policy.

There is merit in registration of institutions which provide courses to overseas students as a way of assisting DILGEA to undertake bona fides checks of visa applicants and to monitor attendance by students. Responsibility for the register established under the Commonwealth's recent legislation should pass to DILGEA on its expiry after 31 December 1993. But the nature of the register should change: accreditation and fiduciary arrangements should not be required for registration, and deregulation processes based on immigration criteria should be developed.

Removal of prepayment as a visa condition will go some way towards making students less vulnerable to exploitation. There is also scope for institutions to offer alternative measures to protect students' funds as part of the services they offer to attract students. This may be done either individually or in concert with other institutions. Some may just rely on the strength of their reputation or status as a government-funded body as a guarantee that their students will receive fair treatment.

It is essential that intending students understand the implications of these changes. As soon as possible, DILGEA should provide student visa applicants with explanatory material, prepared by DEET in conjunction with relevant organisations, in a form which gives prospective students sufficient information to make an informed judgement. This should explain what is, and what is not, offered by accreditation and fiduciary arrangements, and who undertakes them. The limits of Commonwealth, State and Territory responsibility and involvement should also be spelt out. And the explanatory material should draw to the attention of students their rights as consumers under Australian law. Such material would continue to be provided after 1993.

Higher education policies

Government policies towards higher education have in recent years caused dramatic changes in the way institutions operate. Some institutions have been amalgamated. Funding mechanisms have changed, as traditional relationships among institutions have been reviewed, and more weight given to the type of courses provided and the number of students in them. Permitting public institutions to enrol international students on a full fee paying basis is thus only one of the recent changes.

The grafting of a market-oriented export sector onto a highly regulated, largely government-funded sector, has brought tensions to the surface. However, if properly addressed, these can lead to greater gains down the track in terms of, for example, the resources available to higher education and the flexibility and efficiency of their use. Both domestic and overseas students should benefit from this.

Are domestic students displaced? And if so, why?

A major concern of the Commonwealth Government is that Australian students not be displaced by overseas students, and the minimum fee requirement imposed on publicly funded institutions is intended to ensure this.

In an overall sense there can be little or no displacement because the Government determines how many domestic students will be government-funded. However, some domestic students are displaced from undertaking particular courses which may have limited places. Domestic students are also disadvantaged in other ways by the presence of fee paying overseas students (for example, where overcrowding occurs); in other cases, especially where the teaching departments are adequately reimbursed, they are also advantaged by that presence.

The minimum fee requirement does not appear to be an important constraint in practice. Most institutions now price above this level. More importantly, it does not appear to be binding on institutions. Even if not binding, the minimum fee requirement may still lead to inefficiencies. In the Commission's view, institutions should have the scope to lower prices where there are lower costs to, for example, take advantage of circumstances where there is excess capacity, or where postgraduate students provide benefits justifying a lower charge. The Commission recommends abolition of the minimum fee.

Funding arrangements within universities are crucial

Universities vary considerably in the extent to which they take advantage of overseas demand for their courses. Of particular concern are the arrangements within institutions for the distribution of revenues from overseas students. The enthusiasm with which a faculty will seek to enrol overseas students will be heavily influenced by how much of that revenue it receives. In practice, revenue distribution arrangements vary considerably, and this has implications for export outcomes. It is clear that education exports are being impeded by current arrangements.

Current arrangements restrict access by both domestic and international students

Overseas students are required to reach entry standards at least as high as those for domestic students. However, the number and allocation between disciplines of places for Australian students is rationed under current Government policies and the Government does not permit Australians who miss out to purchase a place.

Together, these policies mean that there is a de facto limit on the number of places available for overseas students. Universities are denying places to suitable overseas students because of their equity concerns over similarly placed domestic students. We are therefore limiting the size of this industry and, concomitantly, Australia's and international students' welfare.

To overcome this, the Commission recommends that universities be encouraged to change their policies so as not to exclude acceptable overseas students for whom they have a place. This would allow some currently excluded international students an option of access which is currently denied them. However, this leaves unaddressed the question of access by currently excluded Australian students.

There are other issues to explore

Higher education has been gradually evolving towards a system in which demand can play a larger role in the allocation of places. For example, most domestic students now contribute towards the cost of their courses through the Higher Education Contribution Scheme (HECS), and there are also some full fee courses for domestic students.

However, there are emerging pressures arising from budgetary constraints which are being reflected in growing levels of unmet demand by domestic students for university places. Added to these problems has been a high level of over-enrolment by institutions, as acceptance and re-enrolment rates have risen. The Government will not provide additional funds for these students, requiring their places to be financed from within already-agreed allocations.

The current arrangements for funding higher education for domestic students are flawed. Without a mechanism which takes better account of the costs and value to society and to the student of education services, decisions by Government and institutions as to how many places there are and how they are allocated will very likely be wrong.

The Commission recommends that the Government accept the need to alter current arrangements so that qualified domestic students are not precluded from a place in public universities.

The Commission also recommends that it be sent a further reference on appropriate means to rectify the current system. The Commission sees the main focus of an inquiry as the means by which Government and student resources should be allocated to the higher education sector, the need for a better matching of the demand by applicants with the availability of places, and the most efficient means of targeting assistance to meet concerns about access to higher education by disadvantaged groups.

In the absence of such a reference, the Commission recommends immediate implementation of one of the options discussed in chapter 8 to overcome the serious problem that qualified Australian students who do not currently have a funded place are prohibited from public university study. The Commission recognises that, depending on which option is selected, inequities and inefficiencies may remain or be created, and these will inevitably need to be reviewed at some time.

Promotion

Overseas promotion is important both to attract overseas students and to provide information relevant to students' needs. Direct representation abroad is considered important by institutions, and Government assistance through Austrade and the Export Market Development Grants scheme, and through the Government's special relationship with the AECs, are also used. Many institutions use a variety of approaches to recruit suitable students; there is an active private agents market.

The International Development Program of Australian Universities and Colleges (IDP) is reviewing, with its participating members, the role of the AECs. There is merit in this review process being given time to be worked through. However, if it fails to meet the valid concerns of institutions, the Government will need to reconsider the mandate of the AECs before the expiry of IDP's contract. In any such reconsideration, the effectiveness of alternative ways of promoting education exports would need to be explored.

However, promotional effort by individual institutions, rather than reliance on generic promotion to raise the profile of Australian education as a whole, is important. This is particularly so in the context of fears that recent difficulties in the non-formal sector will disadvantage Australian educational exports as a whole. To protect themselves and to enhance their marketability, institutions need to develop for themselves a reputation in overseas markets of providing quality education and good service to overseas students.

RECOMMENDATIONS

Recommendations

Immigration issues (chapters 4, 5 and 6)

The Commission recommends that:

- persons with visitor visas no longer be required to prearrange courses before they arrive in Australia and be able to undertake a course, subject to the conditions and validity period of their entry permits and to a health check (if that is warranted);
- DILGEA review the current restrictions on minimum course length, but not grant work rights to any new group of very short-term students;
- DILGEA upgrade its collection and processing of statistics on overseas students and in particular on the pattern of overstay and the characteristics of overstayers, and that the results be regularly published;
- prepayment of course fees, and the requirement for ELICOS students from the People's Republic of China to lodge living expenses, no longer form part of the visa issue requirements. Prepayment should be a matter for determination between the institution and the student;
- DILGEA make use of bonds for those marginal applicants who would otherwise have been rejected but who would be likely to comply with visa requirements under a bond arrangement. There should be a nominated period of trial and monitoring by DILGEA's central office in one of the more difficult markets, such as the People's Republic of China;
- there should be more rigorous attendance checking and other compliance enforcement techniques to help reduce infringements of visa conditions. This should be DILGEA's responsibility. DILGEA should have the power to enter premises, check attendance and impose other requirements reasonably necessary to carry out immigration policy;
- on the expiry of the *Education Services for Overseas Students (Registration of Providers and Financial Regulation) Act 1991*, DILGEA should maintain a register of institutions offering courses to overseas students, to assist with bona fides testing. But accreditation should not be a prerequisite for registration. Deregistration processes based on immigration criteria should be developed;

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- departments, and in particular DILGEA, make greater efforts to consult with those likely to be affected by any proposed policy change. Attention should be paid to providing reasonable advance notice to those who will be affected when changes are to be made (for example, by taking account of the marketing requirements of institutions);
 - rationalisation of the respective roles of DEET and DILGEA should be undertaken, with emphasis on minimising the scope for overlap by allowing DILGEA responsibility for administering immigration functions;
 - consideration be given to an administratively feasible scheme which would allow students who do not wish to obtain Overseas Student Health Cover through Medibank Private to be permitted to use health cover under an alternative insurer acceptable to government; and
 - spouses and dependants of students entering Australia under category A visas be permitted to work full time.

Registration and accreditation issues (chapter 7)

The Commission recommends that:

- from 1 January 1994, governments not be involved in accreditation of courses for overseas students and that accreditation not be compulsory. Non-accredited institutions on the immigration register should be permitted to seek to enrol overseas students;
- as soon as possible, DILGEA provide student visa applicants with explanatory material prepared by DEET, in conjunction with relevant bodies, which sets out the details of the accreditation process. This should include a description of what the presence or absence of accreditation or fiduciary arrangements means, and the names and addresses of accrediting agencies and industry organisations. It should emphasise the need for care in choosing where to study. Information on students' rights under Australian consumer protection law should also be included. Similar material should be available for use by AECs, Australian diplomatic missions and overseas agents. Such information would continue to be provided after 1993 under a voluntary accreditation scheme; and
- ELICOS institutions be permitted to tender to provide AMEP services and that AMEP providers with unused capacity should be allowed to take full fee paying overseas English language students.

Universities (chapter 8)

The Commission recommends that:

- institutions no longer be required to set minimum fees for overseas students;
- universities be encouraged to change their policies so as not to exclude acceptable overseas students for whom they have capacity;
- the Government accept the need to alter current arrangements so that qualified domestic students are not precluded from a place in public universities;

-
- a reference be sent to the Industry Commission on appropriate means to meet that need and to rectify the current system; and
 - in the absence of such a reference, one of the discussed options which overcomes the serious problem that qualified Australian students who do not currently have a funded place are prohibited from public university study should be implemented immediately.

Technical and Further Education (chapter 9)

The Commission recommends that:

- DILGEA review the criteria by which the current category A and B classes are defined. This will mean the collection or compilation of more detailed data on visa infringements, with a view to defining more precisely category B courses or institutions on the basis of the risk that students will infringe visa requirements. Such data should be made publicly available.

Other matters

The Commission draws attention to the following:

- it is important that screening and other immigration processes (including charges) relate as closely as feasible to the assessed risks of different groups (chapter 5); and
- there is merit in the current review of the AECs by IDP and subscribing institutions being given time to be worked through. However, if the review fails to meet the valid concerns of institutions, the Government will need to reconsider fully the mandate of the AECs, before the expiry of IDP's contract (chapter 11).

1 BACKGROUND TO THE INQUIRY

1.1 What are exports of education?

Exports of education services are most commonly thought of as students coming to Australia to study but they can also include correspondence courses for overseas students, the electronic transmission of lectures and courses overseas, and Australians travelling overseas personally to provide various forms of education.

Education exports can be provided through *formal courses* and *non-formal courses*. Formal courses comprise those provided by public and private secondary schools and universities and colleges of Technical and Further Education (TAFE). Non-formal courses, in the main, are courses in commerce and related subjects and English language but also include a wide range of other subjects. They are provided by both private colleges and institutes and through government institutions, such as universities and TAFE colleges. Traditionally, successful students in formal courses have been awarded statutorily recognised educational qualifications; however it is becoming increasingly common for all courses, whether formal or non-formal to lead to official or unofficial qualifications.

Education as a form of aid

For this inquiry, foreign aid aspects of education provided to other countries have not been explicitly discussed. However, some participants argued that the foreign aid value of providing education to foreign students should be taken into account in the Commission's consideration of the intangible benefits of this activity, and should be reflected in its recommendations.

While not denying the potential value of aid provided by way of scholarships or other forms of education aid, the Commission considers that questions of the appropriate level of Australia's aid contribution to other countries, and the allocation of that aid between different programs, are not matters central to this inquiry. Those questions are best considered within the context of the aid program generally, where the trade-offs which need to be made between the value of educational aid and the value of other forms of aid can be made. For this inquiry, the terms of reference require the Commission to focus on impediments to the efficient development of the export of education services.

The special nature of education exports

Nevertheless, this focus on efficiency should not be taken to deny that there are some special characteristics associated with exports of education. These arise because education exports take the form, in the main, of people coming to Australia to study.

For many international students, this means entering a culture which is foreign to them, which can lead to problems if proper account is not taken of this by, for example, the enrolling institution. This might take a variety of forms, including orientation assistance and the provision of information and counselling services.

The quality of these services appears to vary considerably. Some institutions have well-developed programs for helping newly-arrived students settle into living and studying in Australia - they meet them on arrival, help them find accommodation and have staff available to provide advice and counselling during the course of their stay. However, some participants were critical of the lack of support in some areas and emphasised the need for more attention to be paid to this aspect. For example, they said that mechanisms for resolving the grievances of overseas students did not work well. These participants emphasised that Australia had a responsibility of care towards overseas students, and that this was not being provided in many cases.

J Trutwein said:

... a multicultural student population requires a cross cultural approach to student counselling as well as cross cultural support services with respect to consumer protection, discrimination and general legal services and grievance procedures (Submission No. 132, p. 3).

The National Liaison Committee for Overseas Students said:

Given the fact that overseas students are in a foreign country, and thus being subject to an unfamiliar culture, environment and system, it is only essential that they be protected and safeguarded with the provision of quality welfare services (Submission No. 112, p. 22).

La Trobe University Students' Representative Council argued:

... that serious consideration needs to be given to the needs and welfare of overseas students before institutions are allowed to enrol them in large numbers. In particular, we believe that institutional autonomy needs to be carefully monitored in this area to ensure that overseas students are not subject to economic - and other - exploitation (Submission No. 175, p. 7).

More broadly, some student groups and institutions expressed concern that the activity of selling education services to international students might lead to this activity being viewed as merely trading in a commodity or service, without due recognition of the human dimension involved. Because of this, they feared that the interests of the student, and the availability of facilities such as international student support services, would not obtain due recognition.

The Commission has no difficulty with these viewpoints. It agrees that there are considerable cultural and non-economic benefits which flow from educating overseas students in Australia (see chapter 3). It also notes that it is in the interests of the enrolling institution as well as international

students to provide appropriate forms of support. Provision of high quality student support services could be expected to have longer-term benefits to those institutions that do it well. Chapter 11 of this report notes that word-of-mouth is an important means by which international students assess the relative merits of educational institutions in Australia. Intending students will learn from those who have already studied in Australia which are the more supportive institutions and will make their choices accordingly.

Some participants expressed concern at the treatment of education as an industry. They felt that the education of foreign students could not be regarded in the same terms as the exports of conventional commodities. In particular, they considered the term 'full fee paying overseas student' had an unduly mercenary tone.

The Commission's use of this terminology in the report is in accordance with the way that these students are defined in the current literature and in statistical data (where a distinction is made between full fee paying students and subsidised students). It does not imply that these students are regarded only as a source of revenue for exporting institutions.

At the same time there are clearly economic benefits to students and institutions from the export of education services. The key point is that it is important to identify and assess any impediments to the development of this activity so that it is able to operate in a way which maximises the net benefits to Australians and meets the demands of the overseas students we seek to attract. That is the purpose of this report.

1.2 The background to education exports

For many years Australia has exported education services in the form of assistance to students under overseas aid programs. The Colombo Plan of 1950 was the first of these arrangements. Up to 1986 almost all students who came to Australia were either fully or partly subsidised by the Government through aid programs and studied at institutions in the formal sector. The number of overseas students was controlled by an annual quota.

In 1980 the Commonwealth Government introduced an Overseas Student Charge. This varied according to course but for those students who began in 1985 it recovered about 30 per cent of the cost of higher education courses. By 1988 the percentage recovered had risen to over 50 per cent. A fee for secondary students was also introduced. In 1989 this was \$350.

Selling education overseas at full cost

From 1986, universities and other educational institutions were permitted to offer places to overseas students at full cost, with a major objective of encouraging exports. While no limits were placed on the number of full fee paying overseas students who could be accepted, the Government put in place guidelines aimed at preventing the displacement of Australian students, in the form of specified minimum course fees for full fee paying overseas students. At the same time, overseas student visa procedures were streamlined to assist institutions in marketing their courses.

The effect of these changes was a dramatic increase in student numbers, with student arrivals more than doubling between 1986 and 1989. In particular, the number of students entering Australia to study short non-formal courses increased significantly.

Australia's immigration policies regarding overseas students underwent various and frequent changes from 1987 onwards. These changes arose from concerns that the 'exports of education' sector was being exploited by some students and institutions. It was felt by many in the industry that the relaxed regulations in the early part of 1987 allowed 'non-genuine' students primarily interested in working and/or overstaying, to enter Australia with relative ease. Student visa regulations and procedures were tightened, and the bona fides of students was assessed. However, tightening regulations were not just aimed at students. Concern that some institutions were targeting 'wrong' or 'non-genuine' students led to stricter rules being imposed on institutions through the Department of Employment, Education, and Training (DEET).

The number of students coming for English Language Intensive Courses for Overseas Students (ELICOS) and other short courses fell significantly following the tightening of entry procedures. Generally, institutions in the formal sector were not affected except where they offered non-formal courses such as English language training. There was a dramatic reduction in student arrivals from the People's Republic of China (PRC) - from over 22 000 in 1989-90 to less than 1 200 for the first six months of 1990-91. Whereas under prior entry requirements about 5 per cent of applications from the PRC were rejected, the rejection rate increased to about 95 per cent during 1990.

Some participants said that there have been unintended consequences of the changes to entry procedures, including a reduction in the number of applications from several source countries and a fall in the growth in demand from countries with a low risk of overstay.

Other forms of education exports

Education services are also exported when Australian institutions send teaching staff overseas or provide lectures through correspondence to students overseas. Eight institutions have been established as Distance Education Centres. Australia also undertakes aid activities in the education sector of developing countries and provides training assistance as an element of some projects.

Offshore education was claimed by some participants to have advantages for overseas students compared to study in Australia, such as access to family and friends, and lower living costs. The South Australian Government said that South Australian Matriculation is taught to over 15000 Malaysian students in that country; TAFE accountancy is taught in Hong Kong using local and Australian tutors and satellite technology; and Flinders University has a twinning arrangement to teach the first year of a commerce degree at Sunway College in Malaysia. The Professional Business Colleges of Australia said that the Metropolitan Business College (MBC) has a pilot program in Thailand where the first 24 weeks of its 52 week Diploma program is taught, under the auspices of a sister institution, to the MBC standards and syllabus.

1.3 Previous studies

In 1984 the Government received two reports which commented on aspects of the education of overseas students in Australia. The Jackson (1984) report was a wide ranging review of the Australian overseas aid program while the Goldring (1984) report provided a review of private overseas student policy.

The Jackson report

The Committee found that all post-secondary students from overseas received a considerable subsidy as the Overseas Student Charge represented only about one-third the average cost per annum of educating a post-secondary student. This concealed subsidy was estimated to total \$70 million per year. As nearly all students came from developing countries the Committee regarded the subsidy as defensible in development terms. However, the subsidy was not necessarily fostering the most deserving or meritorious students or those from countries considered to have the highest priority from an aid perspective.

The Committee also noted the crucial role of education in economic development and suggested an increase in the share of Australian aid flowing to education. It considered that the needs of developing countries were higher in the area of post-secondary study.

The Jackson Committee believed that Australia could develop its educational institutions into a major export sector to meet the large demand for education in developing countries. It regarded education as a fundamental input into the development process, while supporting the introduction of full fees for private students. It further regarded education as an export industry in which institutions should compete for students and funds.

In summary the Jackson Committee recommended:

- the hidden subsidy of \$70 million be made explicit and given in the form of scholarships to selected students;
- a three-tiered scholarship scheme should be implemented to ensure that students from developing countries are selected on ability and need, not income;
- in the long term, foreign students be accepted on the basis of available places, academic performance and full economic cost;
- no attempt should be made to plan the disciplinary composition of the intake;
- fees paid by foreign students should accrue to the institutions, thus ensuring that additional places are created and Australian students not disadvantaged; and
- expenditure on scholarships be gradually and substantially increased.

The Goldring report

The Goldring Committee found the then overseas student policy to be an ad hoc response to immediate problems, rather than a considered approach to the role of overseas students in Australia. It argued that there was a need for a national policy to contribute to social and economic development in developing countries, to increase cultural exchange and to improve the quality of Australia's education resources.

A survey of overseas students conducted by the Committee in 1983 found that:

- a majority came from Asia;
- most were in Sydney and Melbourne;
- most came from poorer families with parents of relatively low education level; and
- a large proportion worked part-time or in vacations.

Setting aside many unquantifiable costs and benefits the Committee estimated revenue from the Overseas Student Charge at \$16.4 million in 1983. On the cost side the outlay on the private overseas student program was estimated to be \$85.4 million in that year. The Committee considered that overseas students should make a contribution through the Overseas Student Charge set at 30 to 40 per cent of education costs.

The Goldring Committee was not opposed to offering award courses on a full fee basis. It did, however, oppose a situation where full fee courses were offered at the expense of Australian students. As Australian institutions are publicly funded it considered that the education of local students must be the first priority. The Committee was concerned that the greater revenue obtained from full fee courses might encourage institutions to divert resources to these courses at the expense of activities for which they received Commonwealth Government funding.

In summary the Goldring Committee recommended:

- the abolition of the existing system of guaranteed student quotas for different countries and regions;
- that numbers of overseas secondary school students be limited to 25000 and confined to senior years;
- a greater use of distance education, development of international institutions, student/staff exchanges and the development of education services to be marketed outside Australia;
- the extension of overseas student support services to help those with problems of language, loneliness, finance and other pressures; and
- the involvement of overseas students in TAFE should be encouraged except where work experience is necessary because this would be at the expense of jobs for Australians.

The Government's response

A new Overseas Student Policy was released by the Minister for Education in March 1985. The main features of the policy were:

- the continuance of private subsidised overseas students (ie those assisted by the student subsidy scheme) with a yearly rise in the overseas student charge to \$6500 in 1988;
- the introduction of ceilings and country quotas on private subsidised students, limitations on private subsidised students to no more than 10 per cent in any one higher education institution, and no more than 20 per cent in any one course;¹
- the continuation of the government sponsored students program through the Australian International Development Assistance Bureau (AIDAB);
- allowing institutions to charge full fees from 1 January 1986, for private overseas students; and
- the establishment of an Overseas Student Office in the Department of Education and Youth Affairs.

The Industries Assistance Commission (IAC) Report on International Trade in Services

In its report on International Trade in Services (IAC 1989a) the IAC discussed the implications of simultaneously trying to expand places at tertiary institutions for domestic and overseas students. It said that the incentives faced by tertiary institutions could lead to a conflict in meeting the demands of both local and overseas students:

¹ These quotas lapsed when the private subsidised student scheme was discontinued after the 1989 intake.

On the one hand domestic students receive subsidised education and on the other a number of incentives are or will operate to draw educational resources into the export sector. These incentives, notably, are the ability to use fees from overseas students to pay over-award rates to academics and to expand capital projects (p. 211).

The report considered that funding arrangements provided pressure for the diversion of facilities from domestic students to foreign students, with the potential for an increase in costs for domestic students. This would arise if domestic students could only obtain access to courses by matching the price foreigners are prepared to pay. (The question of displacement of domestic students is further considered in chapter 8.)

The IAC suggested two possible means to resolve the conflict - through the continual strengthening of regulations or through a market-based solution. Regulation was seen as ultimately putting a cap on exports and reducing the benefits to Australia, while market-based solutions 'could impact significantly on domestic education policy' (p. 217).

1.4 Outline of the report

The terms of reference for this inquiry require the Commission to report on the factors which affect the efficient export of education services, and any beneficial policy changes which may be made by governments.

In preparing this report the Commission has drawn on written submissions from some 200 participants and discussions with various groups with an interest in the export of education services. The Commission released a draft of its report for public comment in May 1991 and held public hearings on the draft in Melbourne, Perth, Sydney and Canberra in the first two weeks in July 1991. Comments made on the draft report have been taken into account in preparing the final report.

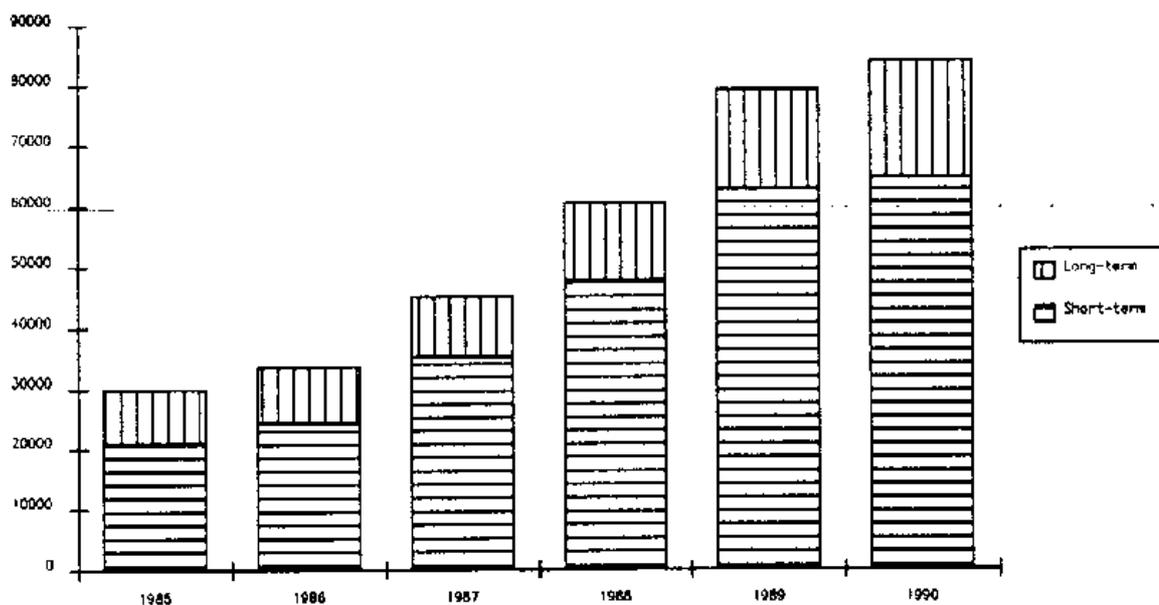
The structure of this report is as follows. Chapter 2 contains an overview of the exports of education services, providing summary statistics on the students and the institutions. The costs and benefits to Australia of education exports, and an explanation of the Commission's approach to this inquiry, are contained in chapter 3. Chapters 4, 5 and 6 address the issues of overstay, immigration requirements and work rights. The issue of accreditation of institutions offering courses to overseas students, including questions of consumer protection and competition, is the subject of chapter 7. The effect which the overseas student sector is having on the domestic education sector is considered in chapter 8, while chapters 9 and 10 consider the place of TAFE colleges and schools in the export market for education services. Chapter 11 looks at how students are informed about Australian educational services, and how the institutions undertake promotion activities in overseas markets.

2 THE STUDENTS AND THE INSTITUTIONS

2.1 The students

The number arrivals in Australia who gave education as their purpose of visit has more than doubled in the last five years. Figure 2.1 shows student short-term (that is, less than 12 months) and long-term arrivals for recent years as recorded by the Australian Bureau of Statistics (ABS). Most of these students are here under short-term visas and return home within 12 months of arrival.

Figure 2.1: Arrivals stating education as purpose of visit, 1985 to 1990



Note: ABS defines short-term arrivals as those whose intended period of stay is less than 12 months.

Source: ABS.

In looking at any statistical analysis of the exported education sector it is important to distinguish between the flow of students arriving and leaving Australia over a period of time (say a year) and the stock of students who are actually in Australia at any one time. In other words, the number of

overseas student arrivals in Australia over a year may differ considerably from the number of overseas students in Australia on a particular date. This is because some courses (particularly ELICOS) are of a short duration (a matter of months) compared to many formal tertiary courses and also because overseas students may re-enrol in courses while in Australia.

Where do the students come from?

Table 2.1 shows the major countries of origin for student arrivals from 1986-87 to 1989-90. By far the largest demand for Australia's education services is from people from the Asia/Pacific area. The relative importance of the countries of origin of overseas students has changed over this period. Of most significance between 1986-87 and 1989-90 was the eleven fold increase in the number of students from the PRC, and the considerable increases in the number of students from Hong Kong, Japan, Singapore, Korea and Taiwan.

The increase in the number of students from the PRC over the three-year period was believed to have resulted in part from the decision of the Japanese Government in 1986 to close access for citizens of the PRC to short-term courses in Japanese being offered in Japan. As a response to this action, large numbers of PRC students opted to come to Australia for ELICOS courses.

Table 2.1: Student arrivals - main countries of origin, 1986-87 to 1989-90

Country	1986-87		1987-88		1988-89		1989-90	
	no	%	no	%	no	%	no	%
PR China	1 881	6	7 071	14	12 345	19	22 547	27
Malaysia	8 398	27	8 582	18	8 950	14	9 466	12
UK/Hong Kong	2 434	8	4 787	10	5 584	9	7 778	9
Indonesia	3 242	10	4 178	9	4 817	8	5 722	7
Japan	1 605	5	2 655	5	4 322	7	4 441	5
Thailand	1 199	4	2 582	5	3 681	6	2 410	3
Singapore	1 266	4	2 005	4	2 632	4	3 755	5
Fiji	1 453	5	2 202	5	2 309	4	1 573	2
Korea	774	2	2 156	4	2 397	4	3 049	4
Taiwan	325	1	1 255	3	1 231	2	2 485	3
Germany	776	2	885	2	1 132	2	1 090	1
USA	1 451	5	1 695	3	2 523	4	2 034	2
Other	6 741	21	8 827	18	11 560	18	15 716	19
Total	31 545	100	48 880	100	63 483	100	82 066	100

Note: Percentages may not add due to rounding.

Source: DILGEA Movements Data Base.

Preliminary data provided by DILGEA show that 22 117 students arrived in Australia in the six months to 31 December 1990. Of these, 2 595 came from Indonesia, 2 427 from the UK/Hong Kong and 1 929 from Malaysia. Student arrivals from the PRC were 1 174. It is difficult to draw any conclusions as to the trend in total arrivals for the full year 1990-91 from these figures because the commencement of formal courses at the beginning of each calendar year means that student arrivals are heavily weighted towards the first half of the calendar year.

How many pay full fees?

Table 2.2 outlines the different categories of fee paying student arrivals for the period 1986-87 to 1989-90. The table shows that, between 1986-87 and 1989-89, the number of private subsidised secondary and tertiary arrivals (that is, those assisted by the former student subsidy scheme) declined over the period but the number of exchange students and AIDAB subsidised students generally increased. For students paying full fees, there were substantial increases in all categories, particularly those attending ELICOS institutions.

Table 2.2: **Total student arrivals, by category, 1986-87 to 1989-90**

<i>Category</i>	<i>1986-87</i>	<i>1987-88</i>	<i>1988-89</i>	<i>1989-90</i>
Subsidised				
secondary/tertiary	12 237	12 054	10 592	8 369
exchange	2 106	2 616	3 704	1 469
AIDAB sponsored				
secondary/tertiary	1 280	1 275	1 707	2 280
<i>Total subsidised</i>	<i>15 623</i>	<i>15 945</i>	<i>16 003</i>	<i>12 118</i>
Full fee				
secondary/tertiary	1 681	5 084	9 626	17 912
occupational training	3 590	4 777	6 104	5 726
ELICOS	4 543	14 799	21 487	32 792
non-formal	790	2 357	3 615	4 012
<i>Total full fee</i>	<i>10 604</i>	<i>27 017</i>	<i>40 832</i>	<i>60 442</i>
Dependants & other	5 318	5 918	6 648	9 506
<i>Total arrivals</i>	<i>31 545</i>	<i>48 880</i>	<i>63 483</i>	<i>82 066</i>

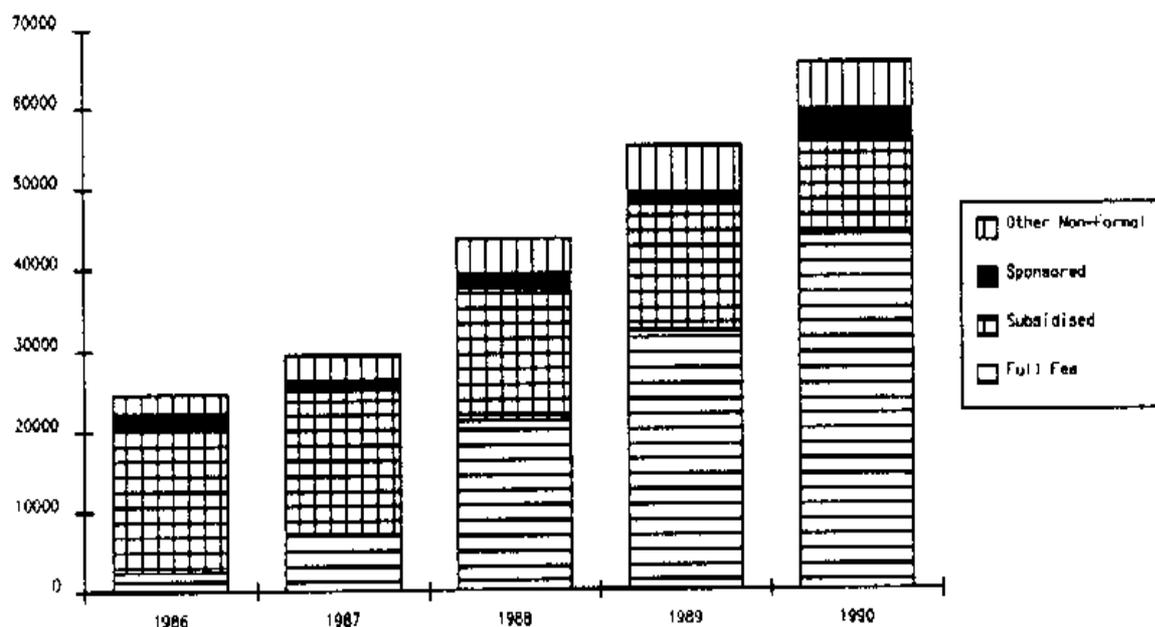
Note: 'Other' includes categories such as religious trainees and military personnel.

Source: DILGEA Movements Data Base.

The comparability of categories in table 2.2 is limited because many students in ELICOS and other non-formal courses only attend for part of the year. Hence the table exaggerates the importance of these courses in comparison with those which run for a full year. To better assess the relative sizes of the various sectors, the ELICOS Association calculated the number of students involved in the various categories of education using Equivalent Full Time Student Units (EFTSUs) as a means of comparison. When measured in this way the number of students attending non-formal courses was reduced considerably, but they nevertheless remained the major sector of the industry between 1986 and 1990. The Association anticipates that students attending higher education courses in 1991 will outnumber those attending non-formal courses when assessed in terms of EFTSUs.

In terms of the 'stock' of students, DEET's 1990 census showed that, on 30 June 1990 there were over 65 000 overseas students in Australia; of these, about 44 000 were full fee paying students. The DEET census figures for the total number of overseas students in Australia on 30 June of each of the last four years are shown graphically in figure 2.2. The figure also shows the distribution of students between the various funding categories. It also illustrates the rapid increase in the number of full fee paying students in Australia over the four years.

Figure 2.2: Overseas students in Australia as at 30 June, 1986 to 1990



Note: Other non-formal includes categories such as exchange students, occupational and religious trainees and military personnel.
Source: DEET.

Figure 2.3 shows the way in which students enrolled in the formal education sector were distributed between higher education studies, TAFE and secondary schools for the three years 1988 to 1990. While all three sectors have grown rapidly the higher education area had become dominant by 1990.

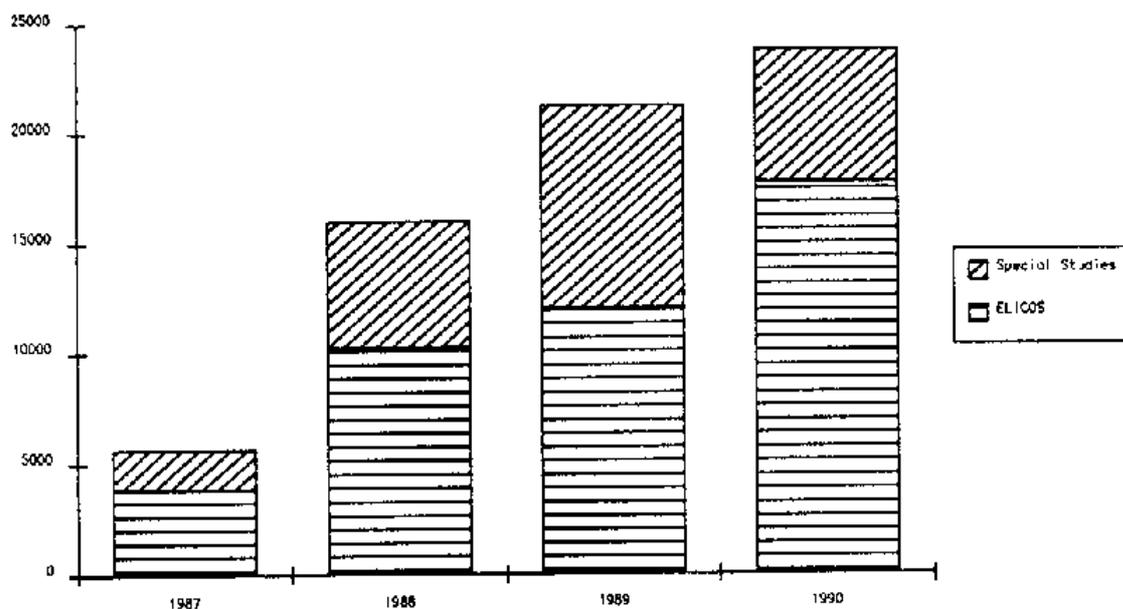
Figure 2.3: **Full fee overseas students in the formal education sector as at 30 June, 1988 to 1990**



Source: DEET.

The split-up of full fee students in the non-formal sector between special studies and ELICOS courses is shown in figure 2.4. While ELICOS students have increased in each year, a considerable fall in the number of students in the special studies sector is evident for 1990. (Special studies covers a wide range of courses, such as business studies, the arts, pilot training and therapies.)

Figure 2.4: Full fee overseas students in the non-formal education sector as at 30 June, 1987 to 1990



Source: DEET.

What do they study?

Table 2.3 shows the main fields of study undertaken by full fee paying overseas tertiary students (TAFE, undergraduate and postgraduate) at 30 June 1990, compiled from the annual DEET census. There is an obvious emphasis on business related studies, education, humanities, social sciences and language. These subjects accounted for over 75 per cent of enrolments.

Table 2.3: Full fee paying tertiary students^a classified by main fields of study as at 30 June 1990

<i>Main field of study</i>	<i>per cent of students</i>
Business & administration, economics, computer and information sciences	63
Education, humanities and social sciences, language studies	12
Architecture and building, engineering, Surveying	8
Health and nursing, medicine, dentistry, occupational therapy and physiotherapy, veterinary science	7
Life and physical sciences, mathematics	6
Other	4
Total	100

a TAFE, undergraduate and post-graduate students
Source: DEET.

A survey conducted by Austrade (1989) suggested that:

- at TAFE colleges about a third of full fee paying overseas students were studying business/administration and about 10 per cent engineering/surveying with the remainder spread over a wide range of subjects; and
- full fee paying overseas students undertaking special studies (other than ELICOS courses) were mainly in secretarial/business courses (56 per cent).

Why study in Australia?

Australia's attractiveness to overseas students is determined by a number of factors. Its geographical location as an English speaking nation in the Asia-Pacific region makes it attractive to those students wishing to learn English. Travel costs are also lower than to other education providers and time differences between Australia and the students' home countries are less. Other attractions of Australia would seem to include a well developed educational system, a society with a relatively high per capita income and thus with good infrastructure and a developed market place, a reasonably high level of personal safety and a favourable climate.

A survey of 200 graduates of the University of New South Wales who had returned home after studying in Australia showed that 94 per cent of respondents considered that their training in an English speaking country (Australia):

... was uniquely helpful in their present job, in terms of dealing with overseas clients, liaising with overseas offices of their company etc (Gardiner and Hirst 1990, p. 20).

In terms of the supply of students many countries in the Asia-Pacific region have growing economies and increasing wealth which provides parents and students with the economic ability to consider overseas education. A further attraction, particularly for less affluent students, may be the availability of work rights for students in Australia which are not available to overseas students in most other host countries. Work rights are discussed in more detail in chapter 6.

A survey of students carried out by the ELICOS Association suggested that the main reasons students choose to study in Australia were personal safety, the cost of living and the recommendation of a friend. Of lesser importance were course cost, immigration issues and distance from home. The Association said that the reasons for choosing Australia varied considerably depending on the nationality of the students.

There is some evidence that a proportion of students, mainly in the non-formal sector, have no intention of attending courses but are only using the work rights provision as a means of earning a higher income than would otherwise be possible in their country of origin, or alternatively are using the entry visa as a 'backdoor' form of immigration. Harris (1990) quoted staff estimates from one institution that up to 80 per cent of students who prepaid fees did not attend classes regularly or at all (the institution's management put the figure at 50 per cent). The ELICOS Association said that, in a survey of 36 colleges, 230 of the 6 170 visaed ELICOS students did not present themselves at the college at which they were enrolled. No information on the numbers of irregular attenders was provided. This matter is discussed further in chapter 5.

How are the students financed?

A survey of overseas students studying in tertiary institutions, undertaken by the Bureau of Industry Economics in 1987 (BIE 1989), found that the main source of financial support for overseas students came from relatives living overseas. This was estimated at 65 per cent of their finances and represented an annual capital inflow of about \$6 500 per overseas student in 1987 dollar terms. Part time work provided only a small supplementary source of finance, accounting for 11 per cent of a students' total expenditure. The balance was made up of scholarships (13 per cent), loans (2 per cent), savings (5 per cent) and other (4 per cent).

In its submission Careers Business College provided the results of a 1991 survey of 889 students which showed that 70 per cent of students claimed family financial support for enrolling in their current courses while 17 per cent said that they paid for course enrolment from income earned in Australia. The survey estimated average weekly earnings at \$97.63 per student.

The Gardiner and Hirst (1990) study showed that 73 per cent of overseas students either supported themselves or were supported by relatives or friends, 19 per cent were sponsored by the Australian Government and 7 per cent by overseas organisations or governments.

The Centre for International Economics (CIE 1991) surveyed overseas student finances through a sample survey of 169 students in tertiary institutions, secondary schools, and ELICOS and special studies colleges in 1990. Table 2.4 shows the categories of funds used by the various levels of students in the survey.¹

Table 2.4: Funds used by students from various categories

<i>Funds</i>	<i>University</i>	<i>Secondary</i>	<i>ELICOS</i>	<i>Special Studies^a</i>
Brought in (\$)	7 854	3 525	3 88	6 189
Sent in (\$/week)	119	86	102	127
Earnings (\$/week)	40.26	10.82	26.10	57.30

^a As only 9 students were in this group, sampling errors could be high.
 Source: CIE 1991.

The survey also showed that a large part of the tuition fees of overseas students are paid in advance, usually at least half of one year's fee for formal courses and the full course fee for non-formal courses. (This is a requirement for some types of visas - see chapter 4.)

A survey conducted by the ELICOS Association in late 1990 showed that, in addition to their fees, two-thirds of students brought into Australia \$3 000 or more. Thirty five per cent of students brought in \$6 000 or more.

Expenditure by overseas students

According to the CIE survey annual fees paid ranged from nearly \$5 000 for special studies students to just over \$10 000 for tertiary students. The cost of accommodation was between \$60 to \$80 per week. Expenditure on food varied between \$48 and \$91 per week. The vast majority of students used public transport and spent around \$10 per week on this category.

¹ The Commission has some reservations as to the reliability of these data. This is discussed further in chapter 6.

Total non-fee spending averaged around \$200 per week, being lowest for secondary students (about \$179) and highest for special studies students (\$257).

The ELICOS Association survey showed that fees per student week at ELICOS colleges ranged from \$100 to \$200 with an average of \$160.

What happens when they finish their courses?

Once overseas students have finished their courses they can take a number of actions. They can return home immediately and seek employment there or they can return home and apply to emigrate to Australia. They may also apply for further temporary entry permits (for example, for additional study) or for permanent residence (on the basis of marriage, refugee status etc.). A large number of students from the PRC (about 20 000) were granted further (four year) entry permits in 1990.

The Gardiner and Hirst (1990) survey of 200 overseas students after they returned home found that most had been able to find employment in the area in which they had trained and that the majority were employed in private industry. No data are available on the number of students who return home and subsequently apply to migrate to Australia. The question of overstayers is examined in detail in chapter 4.

The ELICOS Association said that 35 colleges in a survey reported that 24 per cent of students who attended between 1 January 1990 and 30 June 1990 had re-enrolled before 30 June 1990 for further ELICOS study.

2.2 The institutions

At June 1990 there were 970 institutions, both public and private, offering courses approved by DEET for full fee paying overseas students. Of these, 484 were privately funded colleges offering courses in areas such as secretarial, business, or religious studies, and ELICOS.

Courses range from short programs to undergraduate and post graduate degree courses offered by the universities. Several institutions specialise in overseas students, while some universities provide bridging programs for students entering formal degree courses.

Significant expansion of the full fee program took place in both private and publicly funded institutions between 1988 and 1990. The growth in the number of these institutions is shown in table 2.5.

Table 2.5: Number of institutions offering approved full fee courses to overseas students at 30 June, 1986 to 1990

<i>Institution</i>	<i>1986</i>	<i>1987</i>	<i>1988</i>	<i>1989</i>	<i>1990</i>
Higher education	22	51	60	63	130
TAFE	0	11	17	20	19
School	6	86	206	270	498
ELICOS	19	29	62	91	118
Other	173	210	251	270	205
Total	220	387	596	714	970

Note: Some institutions are included more than once because they offer two different types of full fee courses and/or they have more than one physical location (eg universities with multiple campuses).
Source: DEET.

Offshore education activities

There are a variety of ways in which Australian educational institutions can provide services offshore to overseas students. Some of these include:

- the development of facilities overseas;
- joint research and/or teaching programs;
- provision of curriculum material;
- secondment of personnel;
- 'twinning' arrangements with overseas institutions.

As there is no requirement for education institutions to notify DEET or other government bodies about offshore activities few statistics are collected.

The main countries where offshore activities are taking place can be seen from table 2.6, which shows the number of students in each country involved with an Australian offshore education activity. The table is based on an Austrade survey of education institutions carried out in 1988. It is likely that these figures are conservative because only 60 per cent of institutions involved in the education of overseas students responded to the survey.

Table 2.6: Number of students in Australian offshore education activities, 1988

<i>Country</i>	<i>Number of students</i>
Indonesia	2 564
Singapore	461
Malaysia	396
Hong Kong	142
Thailand	66
New Zealand	35
Other	145
Total	3 809

Source: Austrade.

A 1987 BIE survey of both public and private educational organisations found that there were 17 Australian institutions providing educational facilities offshore (BIE 1989). Their activities mainly involved the provision of curriculum materials and the temporary secondment of personnel. Out of a further 28 institutions surveyed that were not involved in overseas activities at the time, 16 indicated that they were currently considering the provision of offshore services. These figures are likely to underestimate the true situation since only 45 institutions were surveyed (or responded) out of the 387 institutions accredited in 1987 to provide education services to overseas students.

Many tertiary institutions indicated that they had offshore courses coming on-stream in 1990 and 1991 with the implication that, although accurate figures are not available, the offshore education sector appears to be expanding rapidly.

In April 1989, eight Distance Education Centres (DECs) were established in five States at various higher education establishments. Subsequently in June 1989 the DECs decided to form a national reference group called the National Distance Education Conference (NDEC) operating as a partnership between the Commonwealth and the DECs. The main focus of the NDEC has been to assist the Commonwealth in identifying long-term policy priorities for distance education but it has also been looking at other aspects, including the application of new technologies to distance education methods, and cooperation with the TAFE system.

3 COSTS AND BENEFITS OF OVERSEAS STUDENTS IN AUSTRALIA

3.1 Introduction

In broad terms, the net benefits to Australia from the export of education services come from the financial income of educational institutions and the expenditure of students on goods and services in Australia, less the cost of providing the educational and other goods and services purchased. In this way, the benefits from exports of education are similar to those from the export of other goods and services. However, there are also some important differences.

One set of differences arises from the fact that most foreign consumers of the service reside in Australia while they are educated. This means that they:

- consume goods and services which may be priced at less than their real cost (transport, health, children's education, etc) and in some circumstances may add to congestion, which is not reflected in the pricing system;
- contribute to taxation and tariff revenue when they consume ancillary goods and services;
- may obtain jobs and affect remuneration and employment opportunities for Australians; and/or
- may overstay their allowed time and compromise Australia's immigration processes.

The other main differences from conventional exports arise because of the history of government involvement in the provision of domestic education. Institutions in the formal sector are unused to having to supply places in response to market forces. They may be poorly organised to take advantage of net benefits available from catering to foreign demand. The nature of domestic charging arrangements implies that institutions are not well-informed as to the value which domestic students attach to particular courses. Because of this, it is possible that they may accept foreign students at the cost of a place to a domestic student who may have valued it more highly. This may mean that providing places to foreign students in some circumstances may create net costs.

The conventional approach to benefit-cost analysis is to identify all the contributing elements of costs and benefits and attempt to put a money value on them. This was the approach to the exports of education taken in the investigation of the Goldring Committee. It is useful in circumstances in which policy makers are faced with a choice about whether to proceed with an option or not, or perhaps to guide a decision about whether some government-provided activity should be expanded or contracted.

However, the debate about education exports has moved on from those broad concerns. An export industry of considerable economic and cultural value is now in place and few would suggest that it should be abandoned. The questions that are arising about the industry now are associated with the appropriate settings of the many policy instruments which affect it. For this reason a different approach to analysis of benefits and costs is appropriate.

In this report the approach taken is to identify areas in which benefits and costs to the community may not be taken into account in market transactions and ask whether policies are appropriate to maximising net benefits or whether they should be altered. Are there external costs to society from education exports or areas in which the regulatory regime is flawed? Are there benefits not recognised in the existing arrangements?

The broad emphasis is on getting incentives right. In this way, decisions about additional exports can be left as far as possible to providers acting in response to student demand. Such an approach is consistent with the emphasis in the terms of reference on identifying (and recommending corrections to) impediments to the efficient export of education.

Before identifying particular benefits and costs of exports of education, this chapter discusses the size of the industry, as reflected in expenditure by and exports to overseas students.

3.2 How large are our exports?

Overseas students can spend money on Australian education both abroad and in Australia. One form of expenditure offshore is on courses provided by Australian institutions outside Australia. (According to Austrade about \$13 million was spent on such courses receiving assistance under the Export Market Development Grants (EMDG) scheme in 1989-90.) In addition, before arriving for Australian-based courses, students must pay visa fees to the Australian Government and may purchase travel to Australia with Qantas.

The great bulk of student expenditure, however, is on fees and goods and services provided in Australia.

Expenditure on education fees

As student numbers have grown in recent years expenditure on education by foreigners has risen rapidly. Table 3.1 shows levels of expenditure on fees since the opening of the education market to full fee paying overseas students. The growth of revenue from full fee paying students is very significant, while the decline in subsidised students is evident in the figures for 1989-90.

Table 3.1: Student expenditure on education services, 1985-86 to 1989-90 (\$ million, 1989-90 prices)

	1985-86	%	1986-87	%	1987-88	%	1988-89	%	1989-90	%
Sponsored	30	14	21	9	19	7	25	6	29	5
Subsidised	182	83	172	75	166	60	174	45	109	20
Full fee	7	3	35	15	92	33	192	49	398	74
Total ^a	219	100	228	100	276	100	391	100	536	100

^a Figures may not add due to rounding.

Source: ABS, Balance of Payments Australia, 1988-89 and 1989-90, Cat. No. 5303.

Information on the composition of fees from full fee paying students is shown in table 3.2. Higher education and the non-formal sector each accounted for over 40 per cent of fees in 1990, with the remainder being paid to TAFE colleges and schools.

Table 3.2: Fees paid by full fee paying overseas students in 1990

	\$ million	%
Postgraduate	27.3	7
Undergraduate	111.9	30
Other higher education	14.8	4
TAFE certificate	9.5	3
Secondary	51.3	14
Special studies	40.9	11
ELICOS	117.4	31
Total ^a	373.6	100

^a Figures may not add due to rounding.

Source: DEET unpublished data.

Expenditure on goods and services

Student expenditure on goods and services is available from data published by the ABS and from a number of surveys undertaken as part of submissions to this inquiry.

The ABS provides estimates of aggregate annual student expenditure classified by student categories, that is, sponsored, subsidised and full fee. These data are based on information held in the Commonwealth Government ledgers for those students sponsored by AIDAB, while estimates for other students are based on an annual census of education institutions carried out by DEET (available with a lag of about nine months), other information from DEET, and a variety of other sources including the Budget Papers, AIDAB, Austrade, the BIE and the ABS publication, *Overseas Arrivals and Departures*. These data are shown in table 3.3.

Table 3.3: Student expenditure on other goods and services, 1985-86 to 1989-90
(\$ million, 1989-90 prices)

	1985-86	1986-87	1987-88	1988-89	1989-90
Sponsored	31	24	21	17	20
Subsidised	105	117	107	101	79
Full fee	19	48	128	192	194
Total	155	188	256	311	293

Source: ABS, *Balance of Payments Australia*, 1988-89 and 1989-90, Cat. No. 5303.

The surveys used in evidence to this inquiry were undertaken within the last year. They show considerably higher expenditure than that indicated by the ABS, reflecting a different methodology and an estimate made for a slightly later time period.

As noted in chapter 2, surveys were undertaken by the ELICOS Association (late 1990) and the Careers Business College (early 1991). Both surveys have reasonably large sample sizes and are remarkably consistent in their estimates of average weekly expenditure on food, rent and transport (table 3.4).

Table 3.4: Average weekly expenditure by non-formal students (\$)

<i>Expenditure item</i>	<i>ELICOS survey^a</i>	<i>Careers Business College survey^b</i>
Rent	77	77
Food	45	47
Transport	18	20
Recreation	23	-
Other	21	-
Total of all expenditure	184	Total of rent, food and transport 144

a Survey of 1 483 students.

b Survey of 889 students.

The CIE also undertook a survey of expenditure in 1990 which included students in the formal sector (table 3.5). Not unexpectedly, expenditure by students in the formal sector did not differ greatly from that of students in the non-formal sector. The average expenditure overall of \$196 per week was very similar to the \$184 obtained by the ELICOS Association.

Table 3.5: Survey by the Centre for International Economics^a (\$ per week)

<i>Expenditure item</i>	<i>University</i>	<i>Secondary</i>	<i>ELICOS</i>	<i>Special studies^b</i>
Accommodation	64	60	68	78
Food	53	48	71	91
Transport	11	9	12	9
Other	60	62	53	78
Total	188	179	204	256

a Survey of 169 overseas students; figures are in 1990 dollars.

b As only 9 students were in this sample, sampling errors could be high.

Source: CIE 1991, p. 65.

To obtain total expenditure, the average weekly expenditure figures are converted to an annual basis and multiplied by the number of students in Australia in a year. Because many students do not spend a complete year in Australia, a proxy for the number of full time students based on the concept of equivalent full time student units suggested by the ELICOS Association has been used as a basis for calculation. This is likely to be an upper limit to the expenditure figures if students are not present in Australia for the whole year.

These figures give an estimate of total annual expenditure of \$622 million in 1990 by the ELICOS Association expenditure estimates or \$663 million by the CIE estimates. These should be contrasted with the lower ABS figure for 1989-90 of \$293 million. (The Commission understands that the ABS is reviewing the methodology for its estimates.) Together with the figures for expenditure on fees they indicate an industry which supplies goods and services (excluding airfares to and from Australia and some minor items of expenditure) involving between \$800 million and \$1 200 million expenditure each year.

Net exports

Net exports will be less than the total amount of expenditure by foreigners on goods purchased in Australia. One reason is that some consumption goods purchased will be imported. In addition, purchases of Australian goods and services by foreigners (conceptually gross exports) may be made from labour income earned in Australia by foreigners (conceptually a gross import) and have no direct effect on the balance of payments.

There is conflicting evidence on the proportion of expenditure by foreign students financed by labour earnings in Australia. An early BIE study suggested that earnings were a little over 10 per cent of expenditure. The CIE found students reported that they earned \$40 per week on average (20 per cent of their estimate of expenditure), but that the deficiency between expenditure and funds available was closer to \$100 per week (50 per cent of expenditure). Although the numbers are wide-ranging, what is important is that net exports will be considerably less than expenditure when all factors are taken into account.

Nevertheless, a better indication of the size of the industry is the total expenditure on it, rather than the net exports it generates. As is discussed later, the supply of goods and services to foreigners in Australia is valuable, irrespective of whether those goods and services are produced in Australia or abroad, and whether funds used to purchase them are generated in Australia or abroad. All that is required for the activity to make a contribution to welfare is that prices reflect the true cost of producing the goods and services supplied.

3.3 Provision of education services

The non-formal sector

In the non-formal sector, the majority of education institutions are commercial enterprises, although the ELICOS Association noted that about a third of its members are government institutions. There are also a number of religious training colleges which are operated on a non-profit basis. The commercial enterprises draw on inputs such as buildings and teachers from markets in which there are relatively few constraints.

Despite this flexibility in resource supply, the analysis of costs and benefits from incremental provision of places raises some issues which need to be examined. Primarily these arise from the fact that investment in the industry is, in several dimensions, 'lumpy'. Premises and/or classrooms often have to be obtained at a minimum scale, and minimum teaching loads are often required to offset fixed costs of employment and teachers' own preferences.

This has implications for the question of whether institutions will charge to cover long-run or short-run marginal costs. Short-run marginal costs are those incurred in taking additional students with existing capacity, while long-run costs cover all elements of cost including provision for replacement of depreciating physical capital and a return on financial capital employed. In an industry such as privately-provided education, which can support a number of competitors, long-run costs are equal to average costs.

Despite the lumpiness of investment, a market in which prices for places are freely determined will tend to create conditions in which excess capacity is used for expansion of places. When institutions with excess capacity predominate in the market, prices may be driven lower by their tendency to regard capital costs as 'sunk'. While this capacity is being filled, price signals will indicate that further investment in capacity is not as profitable as it might be. When excess capacity is absorbed, market prices rise and again some institutions will consider expansion.

The 'lumpiness' of investment, therefore, does not produce resource allocation decisions in which costs and benefits are misaligned. In the long run the incentives operating in the market can be expected to ensure that these broadly correspond.

Private sector decisions cannot, however, necessarily incorporate all elements of the benefits and costs of providing education. For example, institutions with dissatisfied students may impose substantial costs on other institutions because of the impact on the reputation of Australian education generally. Similarly, the promotional activities of institutions may be inadequate because each will fail to take account of the role its promotion has in helping the cause of the industry as a whole.

These spillover effects are analysed in separate chapters of this report. Chapter 7 considers the need for accreditation to reduce the impact of failures on industry reputation while chapter 11 analyses promotional issues.

The formal sector

In the formal sector, additional issues of benefits and costs arise because places are provided to domestic students by non-market processes. Domestic students compete for government-provided places on the basis of their entry scores and are educated at a cost to institutions not matched by fees.

A justification for this approach is the benefits that arise to Australian society generally from education. However, it is difficult to compare the allocation of a place to a domestic student with its allocation to a foreign student when a domestic student is not required to pay a fee reflecting costs. If a domestic student is displaced by a fee-paying foreign student, or a foreign student is displaced by a domestic student, the net benefits or costs can be quite uncertain.

In chapter 8 consideration is given to the implications of government provision of education in the university sector. Some of these questions are echoed in chapter 9 on TAFE colleges and chapter 10 on schools.

Another consequence of government control of places for domestic students is that entrance scores achieved by enrolled students (whose numbers are limited by the level of available funding) are sometimes above the minimum considered necessary by the university. Because institutions require that standards of foreign students at least match those of domestic students, some part of the foreign market is therefore denied to them. It might be expected that the benefits of catering to these potential additional overseas students would exceed the costs. Chapter 8 considers methods of realising these potential benefits.

The government currently requires institutions generally to charge a minimum fee to foreign students. This is based on the average cost of provision. However, educational institutions may at times wish to charge less than average cost in order to achieve maximum utilisation of their capacity. On the other hand, if they did not face the minimum fee constraint, it is also possible that they might allocate capacity to foreign students ahead of domestic students. Whether to remove the minimum fee or not is discussed further in chapter 8.

If Australian educational institutions have some special attraction to students because of their own reputations, it would be desirable for them to exercise that power and charge fees which exceed costs. There is some evidence that this is currently occurring. Many institutions have suggested that revenue from exporting has allowed them to increase the standard of provision for domestic students.

There is considerable evidence that the responsiveness of institutions in the formal sector to increased foreign demand is less flexible than might be desired. Wages in markets for some types of academics have not kept pace with wages for alternative employment, affecting quality or preventing expansion of some courses in high demand. As well, salary inflexibilities between disciplines make it difficult to believe that resource allocation generally is efficient. Further, institutions' internal incentive structures also appear excessively centralised. In this environment it is difficult to be confident that opportunities in which benefits exceed costs are being sufficiently exploited.

There would be significant immediate gains if institutions were to rely more on market signals in their current resource allocation processes. In the longer run more flexibility could also bring wider gains if institutions were to react more quickly to the constant changes that occur in the needs of students, and the way in which teaching is conducted. Again, these questions are considered in chapter 8.

3.4 Provision of ancillary goods and services

Survey results indicate that student expenditure on goods and services is even greater than that on fees. It is an important and unavoidable part of the overall cost of education for students.

The goods and services purchased, especially food and accommodation, are usually supplied to Australian and foreigners alike under competitive conditions. Despite this, the social and private costs of their provision to foreign students may, in some circumstances, diverge.

Perhaps the most important of these divergences is the consumption by foreign students of goods and services which incorporate some measure of indirect taxation. Indirect taxation may be borne through wholesale sales tax imposed on consumption goods themselves or, less obviously, through the impact of such taxation on inputs to the production of goods and services forming part of final consumption. In this way taxation of consumption by students becomes a tax on exports of education. If foreign students have a wide choice among world educational institutions at relatively uniform prices, a tax on this part of education provision in Australia can cause marginal Australian suppliers to become uncompetitive.

On the other hand, it is possible that Australia may be able to charge a premium on costs and still attract the bulk of students who would otherwise come. It would be fortuitous indeed if the level of indirect taxation incorporated in the price of education were to be exactly the correct level to achieve this outcome, but without more detailed knowledge of market conditions and taxation levels the possibility cannot be entirely discounted.

The opposite problem arises if a proportion of student expenditure is on goods and services which are publicly provided at prices below cost. An element of underpricing of the total cost of education is introduced. The most frequently cited of such items is transport services, although as the earlier survey results make clear, these are a relatively small part of student expenditure. Moreover the extent of any subsidy has recently been reduced by the withdrawal of the transport concession from some services.

Other elements of expenditure which are not priced or are sometimes thought to be underpriced include public library services, household water and sewerage, electricity or gas for household consumption, law and order, health services (considered in more detail in chapter 5), and education of students' children (considered in chapter 10). In general, the principle that charges should match costs is clearly important to ensure that resources are not diverted into providing uneconomic services. However, the determination of the costs of supplying additional services to foreigners is not always straightforward. For example, evidence of a loss-making public transport system need not imply that marginal passengers are subsidised, particularly where congestion is not a problem.

3.5 Wider costs and benefits

The presence of students in Australia can have more than immediate effects in markets for the goods and services that they require.

Balance of payments

Some participants noted the benefits that exports of education provide to the balance of payments. Many would argue that in any assessment of the desirability of particular activities, special weight should be given to those which earn foreign exchange. A corollary is that increased support should be given for exporters, especially in establishing industries such as education.

In the Commission's view the fact that an industry exports does not, by itself, provide a valid case for assistance. Under floating exchange rates it is broadly true that revenue earned in foreign currencies is translated into Australian dollars at a rate that reflects scarcity value.

If an export industry is just profitable at given exchange rates it will be drawing on Australian resources which are equal to the value of the income earned from the foreign market. A subsidy in these circumstances would alter the balance and cause the industry to use resources which have a greater value than the income earned. This would normally result in a net loss in the efficiency with which those resources are used.

If foreign exchange is given no special weight, benefits from providing goods and services do not vary according to whether the expenditure was derived from funds from abroad or in Australia.

Immigration issues

Students can overstay their visas. This can produce costs if, as undoubtedly occurred in the early stages of the development of the informal sector, the immigration process is compromised and illegal immigrants adopt the guise of students.

From a benefit cost perspective the problem of overstay suggests two questions:

- At what level of temporary immigration do we begin to attract a level of non-bona fide students such that the gains from exporting to genuine students are exceeded by the costs associated with the overstayers?
- What are the least costly methods of controlling temporary immigration, where costs are measured in terms of administrative resources and discouragement of bona fide students?

These questions are considered in chapters 4 and 5 respectively.

Students in Australia may also work. In principle this could cause displacement of domestic workers. It could also be an inducement for those with dishonest motives to come to Australia with little intention to study. This could again have the effect of undermining immigration procedures. The costs and benefits of differing work rights are considered in chapter 6.

Non-tangible benefits from enrolling overseas students

Some of the most frequently-mentioned benefits from education exports occur when students return home. These benefits are generated from both full fee paying overseas students and students who benefit from assistance through aid programs.

Trade and commercial benefits

Students may acquire brand loyalties to Australian products from experience in this country, which may imply greater future demand than would otherwise have been the case. Similarly, there may be increased facilitation of trade between countries as a result of personal and institutional relationships developed here by individuals able to facilitate or influence trading liaisons with Australia in the future.

Evidence presented to earlier inquiries argued that there are many present and potential trade and commercial benefits which can accrue from an overseas student program. For example, the Goldring Committee:

... read many examples in submissions of how Australian educated people have played an important role in decisions to award contracts to Australian firms where there was little apparent difference between the competitors (Goldring 1984, p. 70).

Evidence to the Commission's inquiry into Exports of Health Services suggests that education of doctors in Australia could have significant effects on foreign doctors' decisions to refer patients back to Australia for treatment. For example, the Director of International HealthCare said that some Indonesian doctors who had been trained in West Germany referred patients needing specialist treatment to that country because they were familiar with the specialists and hospitals there. He suggested that Australian institutions should seek to educate medical professionals from South-East Asia, noting that this would generate advantages for Australia in the longer term.

Australian-educated people may also influence the development in their home countries of standards and regulations which are compatible with Australian standards. This has in the past proved to be of considerable value to Australian exporters.

The Sydney Committee for Overseas Students stated that:

Former overseas students recommend Australia to their fellow countrymen and have less qualms about doing business here (Submission No. 9, p. 2).

Professor Wells from the Graduate School of Management and Public Policy, Sydney University said:

Young business managers who receive their training in a foreign country are drawn to that country when trading opportunities arise later in their careers. Business follows where education has led!! This is a very powerful draw for international trade (Submission No. 3, p. 7).

The South Australian Government said:

At all levels, however, there is the opportunity to share and mix both educationally and culturally expanding horizons and levels of tolerance and understanding. Friendships and connections can flow on from this into potential trade and business networks of the future.

... Australian business has generally not maximised possible trade links and entrees into overseas markets and business intelligence as might have been expected if strong post-student networks had been maintained. (In excess of 60 000 Australian graduates in Malaysia should result in many more significant joint and bilateral ventures) (Submission No. 79, p. 2).

Political/diplomatic benefits

Some participants argued that Australia benefits politically from having an active overseas student policy. The Goldring Committee was told that there were many people in senior government and political positions in other countries in the region who have studied in Australia and whose attitudes towards Australia were generally more favourable as a result.

Much of the evidence of political benefits is anecdotal. However many participants expressed similar views. For example, the Sydney Committee for Overseas Students said that:

Government to government contacts are made easier and there is a greater understanding and tolerance of cultural differences (Submission No. 9, p. 2).

The South Australian Government said:

While it is not possible to assess these (cultural and educational) benefits in dollars, the networks formed are significant. Many students return to their home countries to become senior government and business leaders. (Several Ministers in Asian countries are graduates of the University of Adelaide for example.) Such a network enables high level contacts to be pursued by South Australian institutions and government officials (Submission No. 79, p. 2).

Cultural and educational benefits

The presence of overseas students in Australian institutions is said to provide an enrichment of the educational environment. Australian students benefit because they are exposed to a diverse range of people, customs and ideas, and gain a more international outlook.

Again the evidence is anecdotal, but there is a widespread view that Australian students and institutions benefit. TAFE Queensland listed several benefits, including cultural exchange, overseas recognition of awards, conduct of additional classes which would otherwise be uneconomic, and increased responsiveness of institutions to establish new courses to meet local and overseas demand (Submission No. 8, p. 8).

An important intangible educational benefit is that from research of postgraduate students by equating benefits to costs.

Some attempts though have been made to quantify the benefits from overseas postgraduate students by equating benefits with costs. The National Centre for Development Studies said that:

PhD dissertations (by overseas students) use up very considerable resources in supervision, but their research is an important component of the Centre's total research. A dissertation is of similar research size as a book. A book generally costs between A\$50 000 and A\$100 000 to produce. Assuming the lower bound of A\$50 000, the ten dissertations completed thus far have contributed A\$500 000 to the body of research that informs policies in the region. Another 38 dissertations with the potential contribution of A\$1.9 million are in progress, making a total research contribution of nearly \$2.5 million (Submission No. 93, p. 14).

The Julius Kruttschnitt Mineral Research Centre at the University of Queensland, which trains higher degree personnel in mining and mineral engineering, said that it was difficult to attract sufficient Australian students to this field, and that:

The increase in numbers required to meet the demands of funded research has come from overseas students ... The reality is that the postgraduate program at the [centre] is heavily dependent on overseas students ... these students are essential (Submission No. 10, p. 3).

Dr R Birrell and Professor T F Smith said that Australia derived considerable benefit from postgraduate students:

In science and engineering they filled positions for which there were no local applicants. Consequently, they were crucial for the conduct of university research programmes in science and engineering. They also played a vital role in undergraduate laboratory teaching (Submission No. 26, p. 5).

Other participants noted that Australia, because of its small population base, could not easily support education institutions of international repute without the flow of qualified postgraduate students it receives from overseas. With that flow, domestic students, governments and industry have more ready access to higher quality educational and research bodies.

Some submissions argued that the benefits of some higher degree students would justify them not being charged fees. For example the University of Queensland in its submission said that, particularly in areas concerning mining and mineral research:

... postgraduate students should not be viewed as an income generator - the reverse is true. Rather than impose costs such as an Overseas Student Charge, for these students, such fees should be removed (Submission No. 106, p. 11).

It is a questionable notion that all postgraduate students are carrying out research that is commercially profitable, or at least socially useful. But postgraduate students are special in the extra benefits they may bring to Australia compared with other overseas students.

In chapter 8 the question of whether such benefits should be recognised by the wider provision of scholarships is considered.

3.6 Concluding remarks

This chapter has identified a number of individual areas in which benefits and costs associated with the provision of education to foreign students might not be correctly aligned. Many of these areas are considered in more detail later in this report.

A broad implication of the approach that is taken here, however, is that any deficiencies that might be associated with education exports should be corrected at the point at which private incentives and public benefits and costs diverge. This means examining each purported case of market failure or regulatory impediment and asking whether there would be net benefits from correcting that particular problem.

The education export industry is valuable, important and here to stay. The process to be undertaken now is to investigate whether we can obtain more benefit from them than is currently the case.

4 THE PROBLEM OF OVERSTAY

When institutions were permitted to enrol overseas students on a full fee basis in 1986, the bona fides of students were not fully checked. Some used student visas to obtain access to Australia or to its labour market.

Frequent changes were made to tighten policy, primarily to deter overstay. This policy seems to have effectively influenced the expectations of students about coming to Australia to overstay. More accurately targeted policies might now be applied; these might lead to growth in some markets without an adverse effect on overstay.

But the data on overstay are of a general nature and inadequate to develop targeted policies. More detailed information is needed for policy development and for assessing the effectiveness of current entry requirements.

4.1 Introduction

Unlike most of Australia's exports, a large part of education exports occur through the buyer coming to Australia and consuming goods and services here. This process gives temporary immigration policy a major role to play. Australia's temporary resident entry policy seeks to facilitate the entry, for a maximum stay of four years, of people who can contribute to the social, economic and cultural development of Australia (Budget Statements 1990-91, p. 3.271).

Concerns about upholding the integrity of Australia's immigration policy underpin many of the policy changes affecting the export of education services in recent years. Foremost among these concerns is the problem of applicants who are not genuine about wishing to study and who may intend to overstay their visas or fail to adhere to other visa conditions. The rationale for concern about overstay is that:

... the Government is not prepared to allow illegal entrants to undermine the integrity of the migration program or to allow them to have access to benefits and services to which they have no entitlement (Hand 1990a).

Under almost any set of feasible immigration procedures, some temporary immigrants will overstay. One important question for review is therefore to do with the costs that overstay produces and the extent to which overstay among students can be tolerated. At low levels of overstay, the costs to Australia are not large.

As noted in chapter 3, Australia gains from increased education exports, and those gains are greater the more correctly are services priced and the less are immigration objectives undermined. Moreover, while overstay does have costs, there can be no doubt that restricting temporary entry for overseas students has costs as well. These arise from the discouragement that stringent immigration procedures would cause to bona fide students and from the resources required to implement controls.

This chapter summarises the history of the overseas student program, and then looks at how big a problem overstay currently is, using information provided by DILGEA and DEET. Does a substantial proportion of students overstaying imply a need for more stringent control? Could overall restrictions on temporary immigrants be loosened without dire consequences for the immigration program?

Administrative procedures for student entry and proposals for achieving immigration policy objectives while maximising the potential gains from exporting education are considered in the following chapter. The separate question of work rights for overseas students is examined in chapter 6.

4.2 Brief history of changes to student immigration regulations

In 1986, the Commonwealth Government streamlined overseas student entry provisions to encourage publicly funded education institutions to market their courses overseas on a full cost basis (Dawkins 1990b). Bona fides testing of student applicants by DILGEA was removed, and some entry and temporary resident requirements for overseas students were eased. Students were required to complete an Acceptance Advice Form (AAF) obtained from institutions which demonstrated that they had been accepted into an accredited institution and had prepaid fees.

Initially, fees were to be paid for the first year of study or the duration of the course, if this was less than 12 months. This requirement later changed after representation from industry, and institutions were able to determine themselves what proportion of fees they wanted in advance. The requirement to prepay full course fees in advance was reintroduced as the principal bona fides test by the Government in June 1987 for Chinese ELICOS students. In July 1988 all full fee paying students were again required to pay the full tuition fee of their course or tuition fees for one semester of their study at the time of enrolment.

In response to the 1986 changes, the number of overseas students studying in Australia rose dramatically (see chapter 2). However, in early 1987 it was judged that substantial numbers of students enrolling in short non-formal courses, particularly those from the PRC, had no visible means of support, and appeared to have applied for entry primarily to earn income.

Some ELICOS institutions expressed concern that they were being used by students from the PRC to gain entry to Australia for purposes other than to study, and requested changes to policy.

June 1987

Additional requirements for prospective ELICOS students from the PRC were introduced with the aim of ensuring that only genuine students applied for entry. Students from the PRC were restricted to courses of six months or more in duration and had to prepay all course fees and a minimum of \$100 for each week of their course to cover living costs.

An AAF was not to be issued by the institution until the tuition fees and the living expenses money were received. Moreover, ELICOS institutions agreed to advise DEET of non-compliance with visa conditions by their students.

July 1988

It was being reported that some students had been using the student visa class as a means of gaining entry to Australia for purposes other than study, and that many newly-accredited institutions were concentrating their marketing efforts on the PRC and other countries associated with a high expectation of overstay. Some institutions had not been reporting non-compliance. As a result further restrictions were implemented. These applied to all full fee paying students. They limited their capacity to re-enrol, placed a minimum age restriction on overseas applicants for non-formal courses and required further information to be recorded on the AAF.

Following closer monitoring by DEET, some institutions were suspended from the Department's register and two were deregistered for breaches of the new rules.

August 1989

New criteria were introduced to apply to applicants caught in the visa processing backlog in the PRC. This backlog arose primarily from the events of June 1989 in Beijing and temporary closure of the Australian embassy's visa facilities. The Government also introduced tighter 'global' entry procedures for short-term non-formal courses, following continuing concern about overstay.

Applicants from all countries were required to undergo a more rigorous test of bona fides to reduce the risk of student visas being used as a backdoor method of entry to Australia.

Applicants from countries associated with a high expectation of overstay (including PRC) were required to have a minimum education level equivalent to Australia's year 12, and their proposed courses of study in Australia had to be relevant to current or future employment. A maximum age of 35 years for applicants was also introduced as a general criterion, and dependants were not permitted to accompany the student.

Moreover, institutions were told they should not issue AAFs to new students from the PRC during the period August 1989 to January 1990, due to a backlog of 26 000 applications in Beijing.

As a result of the tightening of visa entry requirements, several thousand student applicants, mainly from the PRC were denied entry.

October 1989

The Federal Government, reached an agreement with the ELICOS industry on arrangements for refunds to students from the PRC caught in the backlog resulting from the August 1989 changes. The industry agreed to refund all fees paid in advance as well as a goodwill payment from ELICOS institutions (which had received the advantages of prepaid funds) of \$100 per student, while the Government agreed to examine the case for temporary financial assistance where it was independently determined that ELICOS institutions faced substantial cash flow difficulties as a result of the arrangements.

January to April 1990

As part of the visa application process, a pre-visa assessment (PVA) procedure was introduced for all applicants for short non-formal courses. The key change was that these students had a bona fides assessment and received preliminary advice on their application before paying fees to institutions. The purpose was to discourage non-genuine applicants and reduce the need for subsequent refunding of fees paid by unsuccessful applicants. (The PVA is discussed in more detail in chapter 5.)

May 1990

In order to assist the industry, the Government agreed to introduce greater flexibility for temporary visitors to undertake English language and business studies and to introduce a new student visa category with no work rights.

June 1990

The Federal Government announced it would provide emergency relief of \$100 a week for up to 12 weeks for students left without living expenses following the collapse of two colleges.

July-August 1990

There were still some 5 000 or more students owed a refund for the tuition fees and living allowances they had paid in advance, prior to the August 1989 changes. A number of institutions were slow to refund money prepaid by rejected students and a number of institutions had failed to honour their debts. This resulted in demonstrations outside Australian diplomatic missions in some

Asian countries. Due to the cash flow problems these repayments presented to institutions, the Government guaranteed refunds to individuals either through loan arrangements for institutions or by direct payments to students. The Government also agreed to measures to assist displaced on-shore students affected by institutional closures as a result of the August 1989 decision. A total of \$50 million (including \$1 million for running costs) was allocated for these purposes in the 1990-91 Budget. (Budget Statements 1990-91, p. 3.85). However, it is expected that the final cost will be considerably in excess of this.

The Government announced that it would recover those payments made to institutions. Recoveries of \$10 million are anticipated in each of 1990-91, 1991-92 and 1992-93 (Budget Statements 1990-91, p. 3.77). The Government will not accept responsibility for reimbursing 'lost' fees paid after 24 August 1990.

The Minister for Immigration, Local Government and Ethnic Affairs announced an increase in DILGEA compliance staff to 150, almost three times the previous number.

The Government announced its intentions for new student visa arrangements, involving streamlined procedures for entry into Australia and the reduction of the previous seven visa classes to two.

October 1990

A further application fee increase of \$70 was introduced for temporary residents and students to cover the increasing cost of locating and deporting temporary residents and students who have overstayed.

November 1990

It was reported in the House of Representatives that:

... large numbers of students predominantly from the People's Republic of China - an estimated 6 000 students - have not been provided with refunds for fees they had prepaid prior to unsuccessful applications for visas (House of Representatives 1990, pp. 3 377-8).

February 1991

Further changes were introduced to streamline student entry arrangements for genuine students and to minimise the number of overstayers.

Two new visa classes - Student (category A) and Student (category B) - replaced the previous seven classes. Under the classification of courses in DEET's *Register of Approved Full Fee Studies*, a category A course includes:

- primary or secondary education courses; and
- accredited/approved tertiary education award courses which require a year 12 equivalent qualification for entry and which lead to an award granted by the institution or qualifies the student to enter a course at a level higher than a bachelor's degree.

A category B course is any other accredited course listed on the register. Participants cited difficulties with the definition of category A and B courses when classifying TAFE or TAFE-equivalent level courses, or matriculation and foundation courses (this is discussed in chapter 9). The critical factor in determining under which category a tertiary course is classified is the year 12 entry requirement. Such courses which are preparatory or bridging courses are classified as category B.

Family unit members (either accompanying the student, or joining the student after arrival in Australia) are covered in the same visa class as the student.

Students enrolled in category A formal courses now receive visas valid for the duration of their course, with a multiple entry facility. This enables students to leave Australia for short periods, for example, for vacations abroad, and to return to their studies in Australia without having to apply for a re-entry visa. Students undertaking category B courses also receive multiple entry visas valid for the duration of courses up to a maximum of one year.

Summary of current rules

An applicant has to provide evidence to DILGEA of enrolment in a course approved by DEET as a category A or category B course. Effectively, an applicant must produce evidence to DILGEA that DEET or AIDAB has approved the enrolment. DILGEA's role is to satisfy itself that the person concerned is a genuine applicant for entry to Australia as a student, and has adequate financial means of support during the period of validity of the visa, taking into account work rights. DILGEA also has to be satisfied of the applicant's character and health; a medical check is a prerequisite for a student visa.

Students who are from non-gazetted countries and who have a category B visa undertake PVA and pay a non-refundable visa application fee of \$230. (A gazetted country is defined as one where the risk of overstay by students of that country is judged to be acceptably low - see Appendix B for a list of gazetted countries.) All other students, that is, those with category A visas or those from gazetted countries with category B visas, pay a non-refundable visa application fee of \$100.

Entry by family members of students with a category B visa from non-gazetted countries is limited. Such family members do not have work rights. This is intended to reduce Australia's attractiveness to non bona fide students and to reduce the opportunity for such students to repatriate funds to pay off loans.

There are no limitations on visa extensions to undertake additional category A courses. Limitations apply to students wanting to undertake further category B courses. Students cannot undertake more than two category B courses and only one of these may be a package. A package course consists of a prerequisite and a principal course.¹

Applicants are to provide evidence of payment of tuition fees for the first semester of study and to establish that they have made acceptable arrangements for health insurance in Australia (see chapter 5). DILGEA may require some applicants to undertake an English language test before issuing a visa. In addition to the tuition fees, students from the PRC for intensive English language courses are still required to lodge, with the institution at which they will be studying, a minimum living expense of \$100 for each week of the first six months of the course.

For family unit members accompanying the student, DILGEA must be satisfied that there is a genuine intention to accompany, or to join, the holder of the student visa or entry permit and that the holder of the student visa or entry permit has adequate financial means to support himself/herself and family unit member(s) for the duration of the entry permit, taking into account work rights.

DEET determines which courses are classified in the two student visa categories. *The Register of Approved Full Fee Studies* lists all courses in these categories. Some institutions, notably TAFE colleges, have expressed difficulty in obtaining documents from DEET concerning the classification of their courses.

4.3 Overstay

A matter of concern is overstay among a number of categories of temporary entrants, including visitors and temporary residents such as specialist workers and working holiday makers. People who overstay may have deliberately misrepresented their purpose for entry, and effectively jump the queue for de facto residence in Australia ahead of legitimate applicants for immigration.

Overstay can be a relatively unstable phenomenon. Perceptions abroad that temporary immigration provides an easy avenue for extended stay can be quickly formed and only slowly eroded. There is a significant danger when overstay rates rise in the short term that this will generate a rapid decline in the integrity of the immigration system, as potential entrants with dubious motives learn of the situation. If this were to happen, the impact on Australian society more generally could not be expected to be as benign as might be the case at low rates of overstay.

¹ The prerequisite course must be one which the principal course institution requires the student to complete before commencing the principal course.

It is thus necessary to be wary of high overstay rates and especially of rapid rises in them. It is difficult to be precise about when student overstay may be a problem. However some signs might be:

- a rapid rise in overstay rates;
- overstay in education being higher than in other categories of temporary immigration; and/or
- a perceptible change in student motivation, with work, for example, rather than education predominating.

None of these signs alone would be sufficient evidence of inadequate control. It is, for example, quite conceivable that overstay rates could be higher for education than other categories, but, if stable, tolerable. The conjunction of all these indicators might, however, indicate a situation which required rapid rectification.

Evidence on overstay

Overstay rates produced by DILGEA are based on the number of arrivals in a particular time period who have not departed (disregarding those granted resident status or entry permit extensions) nine months after the end of that time period. As most arrivals have entry permits valid for no more than six months, most of those not otherwise accounted for by that date would have overstayed for at least three months.

DILGEA said that this assumption will not necessarily be correct for secondary or tertiary students who hold valid visas for periods greater than six months. However, under recent arrangements, this will not be a problem if analysis is undertaken on arrivals for a calendar year, because all secondary or tertiary arrivals in a calendar year should have either departed (or have been granted new visas) by the end of that year and certainly by nine months later.

The method used will not give a true measure of overstay. That would only be possible with week-to-week monitoring of departures and matching those with arrivals data. The 'cohort' approach will not pick up those who have overstayed but who have left the country before the assessment date (for example, who had a visa for the period January to June and overstayed, but departed by 30 September the following year). However, if the average six month visa assumption holds, the measure will tend to underestimate overstay levels.

Table 4.1 shows the composition of overstayer population by visa category. Students were significantly over-represented in the overstayer population (18 per cent of total at 30 April 1990) compared with their representation in 1988-89 arrivals (4 per cent of total). At April 1991 students represented 15 per cent of the total overstayer population.

In table 4.1, the April 1991 figures show a decline in the total number of overstayers compared to April 1990. Student overstayers appear to have decreased by 29 per cent over this period. However, the April 1990 figure is likely to be an overestimate of the actual number of student overstayers. Some students (for example, formal students) are given temporary entry permits (TEPs) until March 15 of the year following the year of application, that is, if they applied in 1989 the TEP would be valid to 15 March 1990. If the student's course is longer than the period of the TEP, the student has to apply for an extension or a further TEP. As regional offices of DILGEA process these applications for extension between January and April, many students awaiting further TEPs will show up as overstayers in April. It is not clear how many were included in the April 1990 figures.

This problem has not reoccurred with the April 1991 figures as DILGEA was able to separate these applicants from the overstay figures. Thus the large apparent increase from July 1989 (8 571) to April 1990 (16 395), and the subsequent decrease to April 1991 (11 644) probably overstate the actual swings in overstay numbers.

Table 4.1: Composition of overstay population by visa category

	<i>Visitor</i>	<i>Student</i>	<i>Temporary resident</i>	<i>Other</i>	<i>Transit</i>	<i>Total</i>
At 31 July 1988	53 265	8 617	6 317	1 069	1 034	70 302
At 31 January 1989	58 866	10 417	8 287	1 125	1 251	79 946
At 31 July 1989	43 570	8 571	5 214	1 361	1 275	59 992
At 30 April 1990	58 167	16 395	6 968		8 697	90 227
At 30 April 1991	51 784	11 644	6 851		7 378	77 658

Source: DILGEA.

The Minister for Immigration, Local Government and Ethnic Affairs said in relation to students:

... the reduction was a very encouraging reflection of [the] department's compliance strategy, coupled with changes introduced by the Government last year to conditions under which students entered Australia. There is now emerging a clear indication that the majority of students are coming to Australia for legitimate purposes and returning home at the end of their courses (Hand 1991).

Table 4.2 shows overstay rates for each student visa class for four recent cohorts examined. The table shows that, at 30 April 1991, ELICOS students and dependants for all categories had the highest overstay rates, although the overstay rate for dependants has declined since the June 1990 cohort results. The April 1991 figures show a general decline in overstay rates compared to the June 1990 figures in all visa classes except ELICOS.

Table 4.2: Overstay rates for student visa classes (%)

<i>Student visa class</i>	<i>Overstay rates at</i>			
	<i>30 May 1989 a</i>	<i>30 September 1989 b</i>	<i>30 June 1990 c</i>	<i>30 April 1991d</i>
Private subsidised	5.5	1.9	3.5	2.5
AIDAB sponsored	-		4.1	3.2
Formal course - full fee	10.0	3.1	5.3	3.8
Trainee, non-formal				
- full fee	2.4	1.6	6.6	5.6
ELICOS - full fee	23.3	18.4	10.5	10.6
Dependants	17.0	10.3	9.5	7.4
Total	12.2	8.8	6.9	6.8

a For arrivals 1 September 1987 to 30 August 1988.

b For arrivals 1 January 1988 to 31 December 1988.

c For arrivals 1 October 1988 to 30 September 1989.

d For arrivals 1 July 1989 to 30 June 1990.

Note: Except for ELICOS, the overstay rates for June 1990 and April 1991 are not strictly comparable with earlier overstay rates due to changes in visa class definition in December 1989. However, the effects appear to be minor.

Source: DILGEA.

Some of the decline in the ELICOS overstay rate between September 1989 and June 1990 can be attributed to the granting of TEPs to a large number of students from the PRC on account of the June 1989 political events in their country. PRC students who were overstayers, but who had been in Australia before June 1989, were covered by special arrangements allowing some 20 000 PRC nationals to remain legally in Australia.

A breakdown of recent arrivals and overstayers is provided in the table 4.3 below. The arrivals data illustrate that there had been an increase in all student categories except private subsidised. The biggest growth area was the ELICOS sector followed by the formal sector. However, more recent evidence suggests that the growth rate in the ELICOS sector is now falling.

Table 4.3 : Arrivals and overstayers by student visa classes

<i>Student visa class</i>	<i>Arrivals Oct '88-Sept '89</i>	<i>Overstayers at 30 June 1990</i>	<i>Arrivals Jul '89-Jun '90</i>	<i>Overstayers at 30 April 1991</i>
Private subsidised	16 404	581	10 854	267
AIDAB sponsored	2 585	106	2 962	93
Formal course - full fee	10 710	568	17 931	677
Trainee, non-formal - full fee	10 896	716	12 676	712
ELICOS - full fee	19 863	2 086	32 792	3 464
Dependants	3 660	349	4 850	357
Total	64 123	4 406	82 065	5 570

Source: DILGEA.

Table 4.4 shows the overstay rates, by country for the different student visa classes, at 30 June 1990 and 30 April 1991. Figures on overstay need to be considered with care. For some countries where overstay rates appear large, the actual number of students is small. In many cases in table 4.4 where rates of overstay are high, the actual number of overstayers is less than 50. These are indicated with an asterisk. However, it is clear that there are high overstay rates, and more than 50 persons involved, in the ELICOS sector for PRC, Korea, Indonesia and Thailand. However, these rates have declined in April 1991 compared to June 1990, except for PRC students in the ELICOS sector for whom (notwithstanding eased eligibility for grant of temporary resident permits) the overstay rate has increased. There has also been an increase in overstay rates in formal courses for PRC in April 1991 compared to June 1990. In the trainee, non-formal category, the overstay rate for Fiji declined significantly in April 1991, while overstay rates for Pakistan, Sri Lanka and Indonesia increased.

Nevertheless, comparisons of tables 4.3 and 4.4 indicate that for categories other than ELICOS the overall numbers of overseas students entering Australia has increased, while overstay rates have decreased. This suggests there has been better targeting by DILGEA.

Table 4.4: **Overstay rates at 30 June 1990 and 30 April 1991, by country, for each student visa class (%)**

Country	Private subsidised	AIDAB sponsored	Formal course, full fee	Trainee, non-formal, full fee	ELICOS full fee	Dependants, all student classes	Students, all classes and dependants
Overstay rates - 30 June 1990 ^a							
PRC	*11.8	*4.2	*12.6	7.0	8.8	*12.1	8.8
Korea	*3.5	0	*8.8	*11.2	19.9	29.7	19.3
Indonesia	*5.7	*4.3	5.0	*6.4	18.8	*8.0	9.5
Thailand	*2.8	*2.0	*2.5	*4.0	22.8	*3.6	12.2
Malaysia	3.6	*2.9	4.2	*3.1	*10.3	*9.8	4.1
Fiji	9.1	*1.8	*5.7	30.4	*40.0	*14.6	16.5
Pakistan	*18.9	0	*25.9	20.8	*21.4	0	21.0
Sri Lanka	*10.1	0	*16.8	*18.1	*30.8	*17.4	15.2
Singapore	*2.5	0	2.8	*2.0	*15.4	*11.2	3.1
Japan	*2.6	0	*2.2	*1.0	*1.3	*2.7	1.6
Taiwan	*10.5	0	*4.0	*5.7	4.0	0	4.1
<i>All Countries</i>	3.5	4.1	5.3	6.6	10.5	9.5	6.9
Overstay rates - 30 April 1991 ^b							
PRC	*4.7	*3.5	18.1	*5.7	14.2	*6.3	13.7
Korea	*2.3	0	*5.2	*5.5	6.2	*10.0	6.4
Indonesia	*3.4	*5.9	3.3	7.7	10.4	*5.2	6.2
Thailand	*2.0	*0.6	*3.2	*5.4	7.5	*1.2	4.8
Malaysia	2.5	*1.9	2.6	*3.7	*4.4	*11.6	2.9
Fiji	*3.0	*2.8	*5.4	*6.7	nc	*6.9	4.6
Pakistan	0	nc	*17.0	26.0	nc	*6.1	23.6
Sri Lanka	*4.6	nc	15.4	18.8	nc	*23.7	17.0
Singapore	*1.5	0	*1.6	*2.7	0	*9.1	2.0
Japan	*2.2	0	*1.3	*1.0	*1.2	*1.7	1.2
Taiwan	nc	0	*4.3	*3.9	*2.9	0	3.2
<i>All Countries</i>	2.5	3.2	3.8	5.6	10.6	7.4	6.8

a For arrivals 1 October 1988 to 30 September 1989 and without a valid entry permit on 30 June 1990.

b For arrivals 1 July 1989 to 30 June 1990 and without a valid entry permit on 30 April 1991.

* Less than 50 overstayers.

nc Not calculated when arrivals for period less than 100.

Note: A zero denotes no overstayers. All countries includes citizenships not listed on table.

Source: DILGEA.

In addition to the above data there is anecdotal evidence that some students may have entered Australia with the primary intention of working. For some, there is an incentive to stay and work to offset the financial cost of coming to Australia, and their ability to earn much more here than in their home countries. The Minister for Immigration, Local Government and Ethnic Affairs said, in 1989:

... students from some countries were enrolling in courses which cost ten times their annual salary. Funds were frequently borrowed at high interest rates to pay course fees, significantly increasing the costs to students. These students needed to work in Australia to repatriate funds to repay the loans. It should be obvious to most people that this cannot be achieved within the approved work limit of 20 hours per week, and it results in abuse of work rights, and an incentive for students to overstay their entry permits (Ray 1989).

While overstay is a problem, the length of overstay is also important. Some participants argued that overstay is not a problem if eventually these students return home. The ELICOS Association said:

While any period of overstay amounts to an abuse of the visa entry provisions, the severity of the problem is masked by the figures as presented by DILGEA. There is a hard-core of overstayers from every country who have or intend to overstay indefinitely. The remainder are mild offenders who overstay only for months and not years. Apart from the hard-core overstayers, the size of the overstaying population from certain countries is not very high (Submission No. 129, p. 56).

Table 4.5 shows some more recent figures on the length of overstay for ELICOS students, by country. The majority of overstayers are from the PRC. There does not appear to be a great number of long term overstayers in the ELICOS sector as most appear to overstay less than 12 months. What is not certain is how many of these overstayers were deported, how many changed their status and how many left of their own accord.

Table 4.5: ELICOS student overstayers by length of overstay for selected countries as at 30 April 1991

<i>Months</i>	<i>PRC</i>	<i>Republic of Korea</i>	<i>Indonesia</i>	<i>Thailand</i>	<i>Japan</i>	<i>Taiwan</i>	<i>Total</i>
< 6	1 584	123	104	40	46	42	2 001
6-11	1 920	59	90	39	15	30	2 217
12-17	40	45	112	95	3	10	355
18-23	27	27	28	60	4	1	191
24-29	22	34	22	60	2	6	184
30-35	17	53	19	23	0	0	133
36-41	6	31	20	7	0	3	72
42-47	3	10	4	3	0	1	32
48 or more	0	6	11	1	0	0	18
Total	3 619	388	420	328	70	93	5 200

Source: DILGEA.

Discouragement costs

Australia's relative attractiveness to students depends both on conditions in this country and those in other competitive countries. Some participants said that, under current arrangements, Australia is now more restrictive and expensive than our competitors. Indeed, the ELICOS Association claims that:

... the extent of documentation and of application procedures required to obtain a visa to study in Australia, appears to be more complex and more time consuming, even in Gazetted countries, than those demanded by any of our major competitors (Submission No. 129, p. 76).

This is said to result in students going to other countries such as Canada and the United States, and has led to education agents discouraging students from coming here. DEET said:

Our education export industry is in an early and active phase of development, unlike those of the United Kingdom and the United States. We have not chosen to subsidise service provision within the industry to the extent that Canada appears to have done (Submission No. 128, p. 46).

Visa fees

Some participants said that visa charges by Australia have contributed to discouraging students from coming to Australia. Visa fees are imposed by some of Australia's main competitors; but the charges are generally lower (Submission No. 101, attachment 2). The United States charges vary, for example students from Thailand pay \$US11, those from Hong Kong \$US31, while for many there is no charge. The United Kingdom does not charge Commonwealth countries, but other countries pay \$A61. New Zealand charges \$A119, while Canada charges \$C75.

However, it is not clear whether these amounts cover the visa fee only in these countries or whether there are additional charges, for example where work rights are available. In Australia's case there is no extra fee levied for work rights. Moreover, in any international comparison, other fees such as for health insurance are also relevant. For example, in Canada some institutions may provide health insurance for international students, but if this is insufficient, it is recommended that students take out provincial insurance which could cost about C\$350 a year. By comparison, Australia's fee is \$A150.

DEET said that Australia's visa fees are not competitive with those of most other provider countries, and saw them as:

... yet another deterrent to entry to Australia for study (Submission No. 128, p. 50).

Other requirements on students

However, it is not just a question of fees. It is important to look at overseas procedures and regulations, particularly from countries more successful at attracting students. DEET said:

It is useful to compare Australia's overseas student entry policies with those of other major competitor countries like the United States and Canada. Such comparison suggest that the way Australia processes overseas students and monitors their compliance with immigration regulations may not be as streamlined as others (Submission No. 128, p. 51).

In the United States, education institutions have to be approved by the Immigration and Naturalisation Service (INS) before they can accept overseas students. Students apply to an institution in the United States and if accepted receive a Certificate of Eligibility from the institution. The student must satisfy the United States consul that he/she has been accepted for a full course, is qualified to pursue this training and that study is the sole purpose for entry into the United States. That he/she has sufficient command of the English language (unless undertaking an English course), has sufficient funds to pursue the study and intends to return home after completion of their studies.

Under the INS regulations, institutions undertake most of this initial checking. They accept applications, check financial self-sufficiency and academic qualifications and approve students for study. There are two classes of student visa - Academic and Non-academic or vocational student. Students are not required to prepay course fees as part of the visa process, although institutions may require prepayment of fees or a deposit.

Canada has overseas student provisions similar to those in Australia. Students applying to study in Canada require a student authorisation. They are required to complete an application form, provide a letter of acceptance from an institution listed as acceptable for overseas student admission, provide documentary evidence of funds to cover tuition, maintenance (including that of any accompanying dependants) and transportation home after the applicant has completed studies. Unlike Australia, Canada does not generally allow students to work. However, where students are permitted to work they are not able to include any income from working as part of their funds to cover expenses while studying in Canada. If a student is being sponsored or supported by family they are required to provide various specified forms of proof of this. Some students may be required to undergo medical examinations (if they have been living in a high health risk country) which can take up to two months to process, therefore students are encouraged to apply two or three months before they plan to arrive in Canada. Some applicants for a student authorisation may be required to attend a personal interview. Students going to the province of Quebec must also be in possession of a Certificat D'acceptance du Quebec (CAQ) before being eligible for a student authorisation. Prepayment of course fees is not a visa requirement, however, some institutions may require some prepayment or a deposit.

To study in the United Kingdom students need to show that they have been accepted into a course of study at a university, polytechnic, college of further or higher education, independent school or other bona fide educational institution. They will also need to show that the course is full time (full time is regarded as a minimum 15 hours organised day time study per week) which will occupy the whole or a substantial part of the student's time. Students are also required to show that they have sufficient funds to support and accommodate themselves and any dependants and to pay course fees without working and without recourse to public funds. Evidence of financial support can be in the form of bank statements or a bank letter, a sponsor's letter or confirmation of a scholarship. The Entry Clearance Officer needs to be convinced that the prospective student intends to leave the United Kingdom on completion of their studies. Prepayment of fees is not a visa requirement though it may be required by the institution.

There are some restrictions on dependants of students studying in the United Kingdom. The wife and children of a man admitted as a student are normally able to remain for the length of the student's authorised stay, provided he has sufficient funds to support them. However, the husband of a female overseas student does not qualify for entry as his wife's dependant but must apply for entry in his own right.

Some of Australia's competitors do not require visas from students from certain countries. The ELICOS Association said:

Australia suffers some comparative disadvantage by failing to provide select markets with free tourist visa entry. Students from EC countries no longer require a visa to enter the United Kingdom (Submission No. 129, Stage 3, p. 37).

Is there a discouragement effect?

The ELICOS Association said that:

Australian regulation governing the entry to Australia of ELICOS students is now extremely complex, cumbersome and highly discriminatory in application towards students from Non Gazetted source countries (Submission No. 129, Stage 3, p. 27).

In its survey of students, those from Japan and Switzerland, both low risk countries, were particularly critical of Australia's visa processes. There were, however, some respondents who ranked Australia as one of the easiest for which to obtain a visa. The survey covered only students who had successfully obtained an Australian visa.

DEET said:

The PRC has been a significant market for the industry. It produced high demand for short ELICOS courses early in 1987 ... The political events of June 1989 in the PRC added more Chinese students to the already large flow, but this has been substantially reduced in 1990 with the implementation of pre-visa arrangements (Submission No. 128, p. 17).

Table 4.6 shows visas issued for ELICOS, non-formal and formal students in 1989 and 1990. The table shows that there has been a general decline in the ELICOS market, but some growth in the non-formal and formal markets. The biggest area of decline in 1990 was in the PRC non-formal market, further large declines in that market are expected when 1991 figures are available.

The ELICOS Association said that there is a clear correlation between the introduction of more restrictive entry measures in late 1989 and early 1990 and the number of visas issued in low risk, as well as non-low risk, countries. It said that:

... it is difficult to deny that the Australian Government has introduced a complex array of regulations to administer the entry of non-formal students. It is also evident that these new regulations have been effective in reducing the flow of overseas non-formal students to Australia (Submission No. 129, Stage 1, p. 75).

However, there is considerable evidence in submissions to suggest that an outcome such as this can also be the result of frequent changes to immigration policy and poor communication of those changes to students, educational agents and institutions. Because of this, it is said that students are choosing other destinations, and agents are encouraging this.

Notwithstanding this, there had been significant growth over a short period of time, in overseas students coming to Australia. While this has positive implications for Australia's competitiveness in this area, it does not negate the argument that Australia could be more competitive.

Table 4.6: Student visas issued at major posts, 1989 and 1990

<i>Major post</i>	<i>1989</i>	<i>1990</i>	<i>% change</i>	<i>Overstay rate at 30 June 1990</i>	<i>Overstay rate at 30 April 1991</i>
<u>ELICOS</u>					
Bangkok	1 286	594	-54	22.8	7.5
Beijing	18 690	7 452	-60	8.8	14.2
Berne	681	686	+1	-	-
Hong Kong/Taiwan ^a	2 925	1 650	-44	-	-
Jakarta	1 693	1 124	-34	18.8	10.4
Kuala Lumpur	209	115	-45	*10.3	*4.4
Seoul	2 034	1 625	-20	19.9	6.2
Singapore	41	37	-10	*15.4	-
Tokyo	2 576	2 373	-8	*1.3	*1.2
Total	30 135	15 656	-48	-	-
<u>OTHER NON-FORMAL ^b</u>					
Bangkok	719	428	-40	*4.0	*5.4
Beijing	576	408	-30	7.0	*5.7
Berne	58	177	+205	-	-
Hong Kong/Taiwan ^a	461	453	-2	-	-
Jakarta	441	687	+56	*6.4	7.7
Kuala Lumpur	556	548	-1	*3.1	*3.7
Seoul	119	145	+22	*11.2	*5.5
Singapore	311	470	+51	*2.0	*2.7
Tokyo	273	710	+160	*1.0	*1.0
Total	3 514	4 026	+15	-	-
<u>FORMAL ^c</u>					
Bangkok	601	496	-17	*2.5	*3.2
Beijing	578	1 038	+80	*12.6	18.1
Berne	57	27	-53	-	-
Hong Kong/Taiwan ^a	2 647	4 623	+75	-	-
Jakarta	1 729	2 070	+20	5.0	3.3
Kuala Lumpur	2 628	2 887	+10	4.2	2.6
Seoul	296	574	+94	*8.8	*5.2
Singapore	1 197	2 095	+75	2.8	*1.6
Tokyo	614	335	-45	*2.2	*1.3
Total	10 347	14 145	+37	-	-

^a Includes figures for Macau.

^b Includes occupational trainees, exchange students, defence services trainees, external and miscellaneous studies.

^c Includes private subsidised, AIDAB and EMSS students and full-fee formal students.

* Less than 50 overstayers.

Note: For explanation of overstay rates, see table 4.2 and accompanying text. The overstay rates represented on the table apply to the relevant country and not the post.

Source: DILGEA, preliminary data.

Moreover, the level of tuition fees and living expenses in Australia relative to its competitors and the collapse of some firms providing education services also need to be taken into account when assessing the cause of the downturn of applicants, particularly those from low risk sources. There are also many country specific factors to be taken into account. In the case of the PRC, the visa rejection rate in 1990 was about 95 per cent (this is discussed further in chapter 5).

It is not clear to what extent Australian visa rules are more or less rigorous than those of other countries. The Commission does not have enough information about the visa processing procedures of our competitors. Moreover, the markets appear to be different. For example, an annual survey undertaken in the United States indicated that about 35 000 foreign students were enrolled in Intensive English language courses during the fall of 1989 (IIE 1990). By comparison Australia had about 12 000 foreign students enrolled in ELICOS courses in June 1990 (Submission No. 128, p. 13). Given the much larger size of the United States market, these figures may suggest some difference in emphasis in immigration rules, but the evidence is not clear.

Education services offered to other visa holders

The ability of temporary entrants holding other than student visas to study in Australia is limited. Working holiday makers can only undertake English language courses (a full time English course of up to 10 weeks duration or part time study) provided it remains an incidental part of their holiday. Persons with visitors visas may undertake study provided the proposed course has been prearranged and is incidental to the principal purpose of visit. The requirement that this be prearranged is due to the need for a health check. DILGEA said:

In general, persons who declare their intention is only to visit Australia are not required to undergo health checking. Present advice from the [Department of Health, Housing and Community Services] expresses concern at non-residents attending classes without undertaking health checks. In view of this, Departmental policy requires that such study must be pre-arranged and notified to the post to allow for medical checks to be undertaken if necessary.

DILGEA went on to say that, were this advice to change:

... DILGEA would be prepared to consider different scenarios such as providing for the entry of persons who wish to undertake courses of less than six months duration outside the student program. Such entry however could include certain features such as no work rights and no extensions for the purpose of further study (Submission No. 125, p. 7).

Current requirements seem unnecessarily restrictive. Visitors might not decide until after they arrive in Australia that they wish to undertake a short course of study. The requirement to enrol in advance may have discouraged some potential tourists/students from coming here, or have prevented those here from buying education services once in Australia. In Canada, for example, language training packages are seen as a major boost to the tourism industry. Canada exempts visitors who enter solely to study English or French for three months or less from the need to obtain a student authorisation. They are admitted to Canada as visitors.

At the draft report hearings, DILGEA said:

One possible response ... would be to make study available for short-term courses to visitors, provided that the person would not be able to change status from visitor to student after entry, provided also that a better distinction is made between a person coming to Category B courses and a person coming to short-term informal courses as a visitor. Provided that is done, I could see a possibility of having short-term courses integrated in the visitor program (Transcript, p. 1 086).

The Commission recommends that persons with visitor visas no longer be required to prearrange courses before they arrive in Australia and be able to undertake a course, subject to the conditions and validity period of their entry permits and to a health check (if that is warranted).

Visitor visa applicants do not undertake the same health checks as are required of students. Such people might be encouraged to obtain health clearance before coming to Australia if they are contemplating study. Alternatively, they could obtain a health check in Australia before enrolling, if that remains a requirement.

Minimum course lengths

The issue of minimum course lengths was also raised by some participants. It was argued that there is a market for short-term intensive English language courses for groups such as business people and government officials. The ELICOS Association requested:

... the removal of the DILGEA 'guide-line' which may require as a bona fide check, that non-formal students from non Gazetted countries enrol in a course for a minimum length of six months (Submission No. 162, p. 5).

DILGEA advised the Commission at the draft report hearings that while the regulations do not prevent short-term courses being included in category B, the guidelines issued to overseas posts to aid officials in interpreting the regulations restrict the visa issues to students for short term courses. The Procedures Advice Manual states, for students from non-gazetted countries eligible for a Student (category B) visa, that:

In having regard to 'any other relevant matter', officers should consider the following policy guidelines. These are not exhaustive, however, and, as policy, they may be applied flexibly having regard to the circumstances of the individual case: applicant's proposed course or package is to be generally of not less than six months duration ...

A six month course is defined as involving 20 weeks tuition. At the draft report hearings, Insearch Language Centre said:

... DILGEA have made minimum periods of study for people coming to Australia and in the case of Indonesia it is 10 weeks; in the case of Seoul, Hong Kong and Bangkok, it is 20 weeks ... We find it unfortunate that DILGEA have set themselves up as experts in acquisition of English language skills. Even in a period of 5 weeks or 4 weeks, a student who comes to Australia for a full-time English course could study up to 100 hours of English (Transcript, p. 806).

It went on to say:

... I would not mind if they did not have work permits. I do not think that is essential. I mean, if you wanted a way of weeding out the potential people who may be looking for back-door migration, then this could be a category, in my opinion anyway, that did not have work permits (Transcript, p. 807).

DILGEA said:

Past experience indicates that category B courses, in particular those stand-alone ELICOS courses of less than six months duration, are a major source of overstay.

It went on to say:

Nevertheless, it seems that the practical effect of this limitation is to exclude some profitable areas. DILGEA supports retaining the six month minimum for Category B as a relevant consideration for bona fides assessment but with flexibility in its application to allow for situations where bona fides are not in doubt (Submission No. 125, p. 7).

The Commission acknowledges DILGEA's concern that there is a high potential for abuse in this area and would not envisage extending work rights to this group. This is discussed in more detail in chapter 6. However, the Commission considers that the restrictions on course length contained in the guidelines issued to overseas posts can frustrate the development of the market for short courses. **The Commission recommends that DILGEA review the current restrictions on minimum course length.**

Conclusions

There is clearly a fine line to walk between balancing the need to minimise the costs to Australia caused by excessive illegal immigration and discouraging as few students as possible.

There appears to be little doubt that the immigration objective was compromised under the rules which applied soon after the policy change in 1986 to permit the enrolment of full fee paying overseas students at Australian institutions. Advantage was taken of these rules by some overseas students and by some domestic institutions.

Since then there has been considerable tightening up and targeting of immigration policy and procedures. DILGEA considers that the PVA combined with the new student arrangements:

... should see a re-orientation of student markets away from big overstay risk countries. While initially this may result in a reduction in overall student numbers, in the long term it should lead to a more viable education export industry (DILGEA 1990, p. 54).

Such an approach is discriminating rather than discriminatory; the Commission is in no doubt that targeting achieves the best results in terms of the effects on bona fide students and in the efficiency of administration.

The figures reported in the tables above would appear to suggest that there are some areas of concern about overstay. When one in five students in a particular category overstays, it would seem likely that signals are being sent back to the country of origin that a student visa is a useful avenue to something other than study. However, policy changes occurred so rapidly in this area that there must be some doubt as to whether the data available to DILGEA justified immigration requirements.

The ELICOS Association argued that responses to earlier changes in immigration processes had not yet been observed in overstay rates when more recent policy changes were made. It said:

DILGEA is currently using the overstay rate of ELICOS students who arrived in 1988, under relaxed entry criteria, as a basis for consideration of further tightening of entry criteria for students yet to come. It is doing this before it has had an opportunity to assess the effectiveness, in reducing the incidence of overstay of the much more stringent bona fides checking environment introduced since September 1989. Before pursuing further restrictive entry criteria, the Government should assess the effectiveness of the more restrictive criteria introduced in stages since August 1989 (Submission No. 129, Stage 1, p. 56).

Nevertheless, the use of a cohort of arrivals to calculate overstay therefore necessarily means that there will be time lags in the production of overstay data. These overstay data, while providing some guidance to policymakers, is not sufficiently up-to-date to provide the sole basis for changes in immigration rules. Policy has also been guided by information from institutions and diplomatic missions on the extent of the problem and the effectiveness of alternative approaches. Nevertheless, it would seem that there is scope to improve the range and overstay data and its analysis.

All arrivals and departures of students are recorded by DILGEA. However there have been difficulties in the processing of that data. In particular, determining overstay requires the matching of records on arrivals and departures with those recording applications for visa renewals or change of status. Moreover, the measurement of overstay itself is done at irregular intervals. There has been an improvement in the statistics provided by DILGEA recently. At the draft report hearings, DILGEA said:

... we are now in a better position with the full implementation of the travel and immigration processing system to provide more timely and accurate data than what we have in the past. Previously we relied on passenger cards that were filled in by people as they arrived or as they left Australia and that information was keyed into a data base and the calculations were undertaken manually. With the implementation of the TRIP system, which is now fully implemented from 1 July, we are in a better position to provide more frequent and more accurate statistics (Transcript, p. 1 089).

DILGEA requires more accurate data in order to justify its current immigration policies for students. In particular, more consideration needs to be given to the risk targeting strategies underpinning A and B visa categories (see chapter 9). DILGEA also needs to endeavour to develop improved data systems for more comprehensive and timely data.

The Commission recommends that DILGEA upgrade its collection and processing of statistics on overseas students and in particular on the pattern of overstay and the characteristics of overstayers, and that the results be regularly published.

While there is a cost in obtaining better data, the Commission considers that there is a case for such expenditure, at least for the short term. This would enable a clearer assessment of the effectiveness of successive policy changes which have primarily been aimed at reducing overstay.

The Commission notes the danger that immigration policy may already have become too strict, thereby disadvantaging exports of education particularly in the non-formal sector. It was noted earlier that stable overstay rates at 'low' levels may not be very costly, especially relative to the benefits obtained from providing relatively open access to foreign students. It would be prudent not to weaken immigration requirements too extensively before it can be shown that overstay has stabilised at acceptable levels. However, it is possible that there may now be scope for modifying some control measures, if they can be shown to have produced deleterious consequences elsewhere. Equally it might be timely to review some practices where they have resulted in a rejection rate not commensurate with past or expected overstay rates. In later chapters, measures such as prepayment of fees and DEET accreditation of institutions, which have been employed at least partly as immigration control mechanisms, are considered in light of several issues, including immigration effects.

5 IMMIGRATION CONTROLS

Immigration checks need to be better targeted. There should be better screening, more effort in compliance enforcement and less regulation of institutions. Mandatory prepayment of fees and allowances has not worked well as a bona fides test, has made students financially vulnerable and raises problems for institutions and governments - it should not be a condition of visa issue. DILGEA should have the right to impose bonds on applicants with doubtful bona fides. The process of making and communicating immigration policy changes has been inefficient and has imposed unnecessary costs on students and institutions. There is overlap of responsibility between DEET and DILGEA and this is being reviewed. Immigration functions should be passed to DILGEA. Health insurance options for students should be broadened.

5.1 Methods of control

Control of temporary immigrants may be achieved in a number of different ways. Each has different sorts of cost to the Australian community. Broadly the methods of control may be characterised as:

- *screening* of potential temporary residents, to deny access to those likely to break their conditions of entry;
- *compliance* activity to penalise severely and therefore discourage overstay and entry;
- *controls* on educational institutions to ensure that only those likely to accept bona fide students are permitted to offer places.

Ideally, resources are invested in immigration control up to the point at which the costs match the benefits. Different methods of control should be employed up to the point at which costs and benefits are equalised.

The benefits arise from the avoidance of any social or economic dislocation which might be associated with excessive overstay or illegal immigration. The costs comprise the losses from discouraging bona fide students and the administrative resources tied up in screening and compliance. These administrative costs differ according to the type of mechanism used - for example, for Australia, screening of applicants is much less expensive than attempting to locate and deport students who are in the country and who have failed to adhere to their visa conditions.

Screening

Screening is the method on which most emphasis has so far been placed. Restrictions on entry relate various risk factors including the type of course being considered, the country from which

the student comes and, more recently, the incentives which the applicant has for return or overstay. In this way entry is harder and more expensive for those groups most likely to comprise/contain non-genuine applicants. Under current policy, category B students from non-gazetted (high risk) countries pay more and they and their families are more restricted than applicants for category A courses or those from gazetted countries.

The costs of screening are principally in the deterrent effect it has on bona fide students, both from within the heavily scrutinised groups and also from outside. In a competitive market for students the existence of complex and time-consuming immigration rules, or a perception of such rules, can cause students to reject Australia as a destination. The benefits flow from lower overstay rates than there would otherwise be. **Accordingly, it is important that screening and other immigration processes (including charges) relate as closely as feasible to the assessed risks of different groups.**

Compliance activity

Compliance enforcement activities against all groups of illegal immigrants have been expanded. There have been increased efforts to locate overstayers, and deportees will be excluded for periods of up to five years. The Government will be able to freeze the assets and seize the valuables of people detained to defray the costs of their detention and deportation (Hand 1990a). More timely data will be provided to compliance staff, who will provide information (within the limits of the *Privacy Act 1988*) to government agencies, such as the Department of Social Security and Medicare, on the residential status of people applying for benefits.

In many ways compliance activity can be a very effective method of achieving immigration goals. It not only results in proven offenders actually leaving the country, but, provided penalties are sufficiently severe, discourages potential offenders. If it is seen to be administered impartially, it has little impact on bona fide students and institutions. Its main weakness is its lack of effectiveness if the community constrains the degree to which penalties can be imposed. Actions against those found to be disobeying their conditions of entry are notoriously difficult to sustain in the face of popular campaigns of support for particular offenders or a class of offenders.

Moreover, compliance enforcement is expensive. Outlays on all compliance activities in 1989-90 were about \$16 million, while approximately \$20 million was spent in 1990-91 (Budget Statements 1990-91, p. 3.270). It costs about \$9 000 (excluding court costs) to locate and deport each illegal immigrant (Ray 1990), while detention of those apprehended costs \$320 per person per day (DILGEA 1990, p. 80).

Additional funding of \$37.7 million over four years (\$9.5 million in 1990-91) has been provided for compliance. This is to be partly offset by the increase in the visa application fee for temporary residents (from \$30 to \$100) and the introduction of a sponsorship fee for Employer Nomination. These two activities are expected to raise an additional \$12 million in 1990 91 (Budget Statements 1990-91, p. 3.274). The additional \$130 per applicant for students requiring a PVA raised \$1.35 million in 1990 91.

Controls on institutions

Restrictions on providers of education can be used to ensure that courses offered and procedures followed by institutions are those most likely to attract bona fide students only. Current accreditation and registration procedures are intended to maintain course quality, and institutions must keep records of attendance and inform DEET when certain attendance requirements are not met by students (see chapter 7).

Industry legislation can be costly. More is said about the costs, effectiveness and purposes of regulating this industry later in this report.

5.2 Current policy settings

Current immigration rules require pre-visa checking for applicants from countries judged as having a high expectation of overstay, fees to be charged for visa and pre-visa procedures, prepayment of course fees, different entry conditions applying to students in each of two different categories of courses, and the requirement that PRC students, enrolled in intensive English language courses, pay some living expenses in advance. Under accreditation procedures, institutions are required to monitor attendance of students and provide a standard of course suitable for bona fide students. There is also a compliance programme.

Pre-visa assessment

The PVA procedure applies only to students from countries considered to have a high expectation of overstay. The procedure was introduced in the context of some institutions being unable promptly to refund prepayments made by students who were not visaed. It reduces the need for Australian institutions to refund fees and allowances by assessing high-risk applicants before they are required to prepay fees and allowances.

Before applying for a visa and undertaking PVA, students are encouraged to gauge their eligibility for a visa using a self-assessment leaflet. They are advised that, should they apply and be rejected, the \$230 application fee is non-refundable. If students decide that they may be eligible for a visa, they apply and are given a PVA.

If they are assessed as bona fide following PVA, they are given preliminary visa approval, and can proceed with enrolment and pay fees. If they are subsequently accepted by an institution in Australia, then the AAF from that institution, the receipt for tuition fees paid in advance and other required documentation is presented to the overseas post with the visa application. Subsequent visa application processes cover health and character checks and health insurance, as for applications from low risk countries.

Table 5.1: PVA rejection rates for January to September 1990

<i>January - September 1990</i>					
<i>Posts</i>	<i>PVAs distributed</i>	<i>PVAs received</i>	<i>PVA rejection rate %</i>	<i>Total student visas issued</i>	<i>Total student visas issued Jan-Sep 1989</i>
Hong Kong ^b	1 550+	320 ^e	13.0	2 794 ^e	3 978
Jakarta	10 000+	NP	3.0	3 274	3 828
Seoul	2 570	1 913	6.7	1 967	1 896
Taiwan ^b	1 000+	262 ^e	8.0	880 ^e	704
PRC	44 700	5 637	94.7	8 063+ ^{ea}	5 480
Islamabad	2 700	1 555	63.2	650	605
Tokyo ^c	403	86	70.4	2 903	2 999

a Includes non-formal students visas issued before PVA introduced.

b Hong Kong issues visas for applicants in Taiwan.

c The rejection rate for Tokyo applies to non-Japanese nationals.

e Estimate.

NP Not provided.

Source: DILGEA.

The impact of current visa policy has been to reduce significantly the number of students from some countries. DILGEA's data for PRC and Pakistan show that rejection rates since PVA introduction were about 95 per cent up to September 1990.

It may be that rejection rates for PRC and Pakistan remain high because applicants were not assessing themselves realistically under the self-assessment procedure.

Part of the higher visa charge for applicants required to undergo PVA is used to help fund compliance activities. Some participants were critical of this, particularly as the fee is non-refundable. They argued that fees charged to applicants who are subsequently denied a visa should not incorporate an element to defray the cost of compliance funding. For example, DEET said:

It is questionable whether students likely to be rejected, especially those applying for category B courses from high risk countries, should be expected to pay such a fee with no prospect of refund. Equally, it is questionable whether students from low risk countries seeking admission to category A courses should be required to make any contribution to compliance costs, given that these student do not constitute a serious overstay risk (Submission No. 128, p. 50).

On efficiency grounds it would seem appropriate that the additional fee component for PVA relate only to the cost of administering the visa assessment process, and not to the cost of subsequent compliance activity. Students rejected at the PVA stage do not need compliance attention, and those not rejected are subject to the normal visa fee, which already incorporates, or should incorporate, an appropriate allowance for compliance.

If the part of the visa fee attributable to PVA is set higher than the cost of administering that process, potential students are discouraged from applying. It may be that this is seen as a way of deterring non-genuine applications. Even so, deterring a large number of students from applying for PVA would seem less efficient than deterring a smaller number from actually coming to Australia, through use of the standard visa charge or some other mechanism.

One approach might be to include a variable compliance fee in the standard visa charge. This might be set at different levels for different groups of applicants according to the risk of overstay exhibited by those groups. In this way, those most likely to impose compliance costs on Australia would contribute towards funding of compliance enforcement. Nevertheless, the Commission sees merit in basing the PVA component of the visa charge on administrative costs only.

An even more directly targeted approach would be to require students whose applications would otherwise be rejected to provide a financial guarantee, such as a bond, which would be reimbursed on their departure from Australia. This is discussed later in this chapter.

Requirement to prepay course fees and living expenses

As noted earlier, immigration regulations require that course fees for the first semester of study be paid before a visa will be issued. This effectively means prepayment of all course fees for short non-formal courses. In addition to this is the requirement that students from the PRC enrolled in intensive English language courses prepay living expenses.

The requirements were introduced (when no bona fides test was being applied by DILGEA) principally to help deter non-genuine students. Prepayment is meant to be a signal that the student is genuine about studying in Australia. It increases the cost of entry to non-genuine applicants who might be able to avoid paying for education altogether on arrival. Effectively, students are required to pay large sums up-front to institutions about which they may know little, as a means of demonstrating their bona fides to the Commonwealth Government.

However, as has been amply demonstrated in practice, prepayment does not provide a sufficient or even a strong test of bona fides. Even with prepayment it is clear that a large number of non-genuine students entered under student visas. There is no reason to believe that prepayment has had a sufficient effect on whether students attend courses. Nor does it reduce the incentives of those arriving with the intention of working more than permitted or overstaying.

Moreover, the Government-imposed requirement to prepay course fees (and for PRC ELICOS students, lodgement of living expenses) has caused significant problems within the industry. It gives the wrong incentives to institutions, which have less cause to check the bona fides of prepaid students. It misleads students as to the safety of their prepaid funds, thereby making them very vulnerable, as recent events have shown, to the collapses of some institutions. It also leads to pressures on the Government effectively to guarantee those funds, on the grounds that it was the Government which required prepayment in the first place (see chapter 7).

Although the Government announced that it has no obligation with respect to fees and allowances paid after 24 August 1990, some might argue that it continues to have a moral responsibility for statutorily required prepayments. Arguably, the Commonwealth's continued involvement in registering institutions - using, inter alia, financial criteria - reinforces this moral responsibility.

Many participants opposed the Commission's proposed recommendation in the draft report that prepayment of fees no longer be a visa requirement. The Western Australian Private Education and Training Industry Association (WAPETIA) said:

Giving up prepayment as a test of bona fides will lead to a scenario in which market forces and a competitive environment will compel providers not to demand prepayment, with the following catastrophic results: non-genuine students more easily able to enter i.e. the "cost of entry" will fall, emergence of unscrupulous operators in the "un-accredited sector" actively assisting this process, explosion of compliance costs and subsequent repatriation costs.

It went on to say with respect to student vulnerability:

While this has been an issue in the past, [the new Act] introduces very wide protection for students against financial loss in the case of an institutional collapse (Submission No. 194, pp. 4-5).

Other participants argued that removing the visa requirement for prepayment of fees will make it difficult for institutions to determine how many students will, after enrolling, turn up if they have not been required to prepay and that this will make it difficult to plan classes, make investment decisions, determine how many teachers they require. The University of New South Wales said:

The payment, being substantial, also tends to commit the applicant to the institution in which he/she has accepted the place. Applicants otherwise can, and do, keep institutions dangling on a string. By keeping the payment of deposits as a government requirement, less attractive and possibly more desperate institutions are prevented from introducing uncertainties into the market by dropping requirements for deposits.

It added that:

Institutions, both public and private would also stand to lose the benefit of interest earned on deposits. Such losses would presumably have to be compensated by increases in fees, or where that is not possible because of market forces, a particular institution might become a very marginal proposition (Submission No. 150, p. 2).

However, some participants, for example, the ELICOS Association, the Australian Vice-Chancellors' Committee and Murdoch University agreed that prepayment of fees need not be a visa requirement and should be a matter for determination between the institution and the student. The Association of Independent Schools of Western Australia said:

Schools associated with AISWA have no difficulty in securing fees from students, nor in securing ultimate enrolment from them, and it is the view of the Association that mandatory pre-payment of fees is a further barrier to students seeking entry to Australia for education (Submission No. 192, p. 4).

DILGEA said:

In line with the Cabinet decision a review of the PVA is currently underway by a Working Group comprising representatives from DEET, DFAT, and DILGEA. The Working Group will report to relevant Ministers in the near future. One of its recommendations is likely to be that, if financial viability is included as part of a bona fides test, prepayment is not necessary as a precondition to visa issue. (If this were the case it follows that the lodgement in advance of living expenses for students from the PRC (currently a policy requirement) would be no longer appropriate). DILGEA supports this approach but has concerns about the practical difficulties of applying a financial test (perhaps the introduction of a requirement to provide evidence of transfer of funds may be an option) and that adequate mechanisms be in place to ensure timely reporting of change of course, non-attendance and transfer between Category A and Category B courses (Submission No. 183, p. 4).

The Commission considers that prepayment of fees should not be required by the Government as part of the visa process. Removing this compulsion would not, however, mean that institutions would not be able to require prepayment. This would be a matter for institutions and students to determine. Nor does it mean that there would be no financial tests imposed by DILGEA. DILGEA would still have to develop a more accurate bona fides test, which would include ensuring that students arrived with sufficient funds. One test of commercial motivation would be to consider whether at plausible earning rates and the prescribed course charge, a student could earn more than enough in Australia and in the country of origin on return to cover the course costs and living expenses.

The Commission recommends that prepayment of course fees, and the requirement for ELICOS students from the People's Republic of China to lodge living expenses, no longer form part of the visa issue requirements. Prepayment should be a matter for determination between the institution and the student.

Establishing the bona fides of applicants for student visas

It may be argued that removal of the requirement to prepay fees will make bona fides testing, already quite difficult in some cases, even more so. As noted above, prepayment is not very effective in determining bona fides, and is a costly mechanism in a number of ways. For these reasons alone it should be scrapped as a Government-imposed visa requirement.

However, the Commission's proposal would not preclude any voluntary prepayment of course fees being taken into account by DILGEA in assessing bona fides. Similarly, DILGEA could consider tests applied by authorities in other countries, which do not require prepayment of fees; for example, the ability by an applicant to demonstrate that they have sufficient living expenses could be used as a test of financial bona fides. The key point is that any such prepayments should be the result of an unfettered agreement between a student and an institution, not one which is imposed as a condition of visa issue. (This is discussed further in chapter 7.)

Ending the prepayment requirement would appear to remove the need for the PVA process as a device for giving students a preliminary indication of whether or not they will get a visa before they prepay institutions. Even if they choose to prepay, or accept such an arrangement where it is required of them by the institution, any commitment of funds might be deferrable until after the visa has been issued.

Nevertheless, DILGEA said that it:

... does not, however, support the removal of PVA as there will still be a need for bonafides testing ahead of enrolment for citizens from non-gazetted countries. Without it visa refusals after enrolment may disappoint the so-called legitimate expectations of applicants (Submission No. 183, p. 5).

The Commission has no difficulty with DILGEA using some form of pre-visa assessment as a screening process for non-bona fide applicants. However, it would re-stress that any additional fee component for PVA relate only to the cost of administering the process.

Bonds as a bona fides test

If there are still concerns about the ability of bona fides testing to be effective in the absence of prepayment, one option might be to require some high risk applicants, who would not otherwise be visaed, to pay a bond to the Commonwealth Government at the time of visa issue.¹ This could be held in trust for them, perhaps at the Australian diplomatic mission in their home country, and would be refunded on departure, if the student had met all visa conditions.

Bonds could be required of those marginal applicants who would otherwise have been rejected because their bona fides could not adequately be determined but who would be likely to comply under a bond arrangement. A bond would impose large financial penalties on these students who fail to adhere to their entry requirements. For example, the bond should be forfeited if the student were to be deported. Conversely, a full refund would be made to those who left Australia when required, with the amount of refund phasing down depending on the extent of overstay. In this way overstay would be penalised, but an incentive maintained during the phasing-down period for the student to leave and to recover at least part of the bond.

¹ For example, the United States imposes bonds on some visitors who are considered to be at risk of failing to comply with visa requirements.

Payment of a refundable bond would to some extent discourage applications from people who are likely to overstay, and encourage those who are admitted into Australia to return home on time. Because of the incentives which bonds create, it would be very likely that their use would result in a lower overstay rate than experienced in the past.

A bond requirement would be able to be imposed on any student within any particular group. However, it should be targeted at individuals within specified high overstay risk groups, such as some applicants from high risk countries coming to study short non-formal courses. If introduced in conjunction with removal of the requirement to prepay fees and if targeted at high risk individuals, any deterrent effect on bona fide students should be small. This could be further reduced if interest on the bond was payable for the period over which the student's money was held.

Effectively, current procedures require all visa applicants to contribute towards the funding of compliance enforcement, with high risk (and some unsuccessful) applicants paying more than they ought. The problem in determining who should pay for compliance is difficult. Ideally it should be those who overstay, but often they are not caught, or are deported at the expense of others. Under a properly applied bond system, those who imposed compliance/enforcement costs on the community would meet more of those costs than they currently do.

Failing this, it would be preferable to load a risk premium into the visa application fee. Under this model, one component of the visa fee would be set on the basis of administrative costs, to which would be added a second component (set to zero for low risk students) to contribute to compliance funding. The compliance premium should be refundable to or not collected from rejected applicants, on the grounds that they cannot generate compliance enforcement spending.

Some participants expressed concern with the Commission's proposed recommendation in the draft report for the use of bonds by DILGEA. WAPETIA expressed concerns similar to those made by a number of participants. It said:

This association has grave concerns as to the likely amount deemed appropriate as a bond and how these amounts would be decided. ... as to where decisions would be delegated. If DILGEA delegates responsibility to overseas posts, it is likely to lead to the development of inconsistent approaches between posts and from officer to officer. The proposed bond may actually lead to more administrative problems for both government and industry than it solves.

It went on to say:

In cases where fees had been paid in advance, the imposition of a further payment such as a bond would make Australia a most un-competitive provider of education. This practice is likely to most adversely impact on high risk, low socio-economic countries, and lead to a bias against the bona fides students from those countries (Submission No. 194, p. 7).

The ELICOS Association said:

The EA questions the efficacy of the proposed "bond" system ... It should be pointed out that earlier financial deterrents such as pre-payment of fees and living expenses were not effective in deterring overstayers. On the basis of the history of the ELICOS sector, what will simply happen is that non bona fides student will pay the bond, while a genuine student, judged by the DILGEA processing officer as possibly non bona fide, faced with a higher price will turn to cheaper ELICOS markets (Submission No. 162, p. 5).

DILGEA said:

The Department presently uses a bond system in relation to decisions on whether or not to detain illegal entrants, by way of performance bonds issued by Australian banks. To require bonds overseas would involve a very cumbersome system and that is potentially expensive to administer - either for the Government or the student, depending on the type of bond considered.

It added:

DILGEA does not believe the imposition of bonds would act to ensure a student's bonafides. Any doubts regarding bonafides should be resolved prior to visa issue or the application should be rejected. In addition, there is no evidence to suggest that the imposition of bonds would act as a disincentive to non-genuine students. ... Past experience with non-genuine students has shown that some applicants are prepared to commit 10 years+ salary in order to obtain the necessary visa for entering Australia. Indeed, many students are already required to pre-pay considerable amounts of money to cover tuition fees and living allowances and yet overstay. I believe that for a bond to be meaningful the amount would need to be so significant that such a scheme would be impractical (Submission No. 183, p. 5).

Some participants however, supported the use of bonds. The Association of Independent Schools of Victoria and the TAFE National Overseas Network endorsed the notion of bonds, provided that DILGEA would take responsibility for the administration and collection of the bond, and that this would not eventually pass to institutions. Griffith University said that the proposal to use bonds:

... is supported, provided that appropriate measures are taken to ensure that the use of bonds is restricted to 'at risk' candidates and does not become a more general practice. Care should also be taken to educate the public concerning any bond requirements to avoid the mistaken impression that bonds will be required in all cases. It may in many cases be preferable, where a candidate's bona fides are considered risky, to deny a visa rather than require a bond (Submission No. 199, p. 3).

The Commission would not expect to see bonds imposed in large numbers of cases. The extent to which this would occur should be a matter for DILGEA's visa issue staff to judge, and will depend upon their ability to satisfy themselves as to a student's bona fides by other means. However, the Commission notes concerns by some participants with the proposed discretionary use of bonds by DILGEA, and that this may lead to inconsistency of application amongst overseas posts. Because of these concerns, the Commission considers that there is merit in monitoring the use of bonds during a trial period.

The Commission recommends that DILGEA make use of bonds for those marginal applicants who would otherwise have been rejected but who would be likely to comply with visa requirements under a bond arrangement. There should be a nominated period of trial and monitoring by DILGEA's central office in one of the more difficult markets, such as the People's Republic of China.

Regulation of institutions

Visas may only be issued to eligible students enrolled at, or seeking enrolment at, institutions registered to provide education services to overseas students. The Commonwealth register is to comprise institutions registered by State/Territory governments, which in turn may require institutions to be first accredited by certain industry or semi-government bodies in their State or Territory.

The Commonwealth's *Education Services for Overseas Students (Registration of Providers and Financial Regulation) Act 1991* (the Education Services Act) provides a legislative basis for the registration at Commonwealth level of institutions providing courses to overseas students. Under the Act, DEET is to establish a *Commonwealth Register of Institutions and Courses for Overseas Students*. The Act is complementary to State legislation which encompasses the same matters, and seeks to achieve a number of objectives, including:

... to ensure that Australia's reputation for fair dealing in the education export market is upheld, and that overseas students may be sure of the quality and integrity of the courses being offered to them (Submission No. 128, p. 43).

The Act also gives DEET legal authority, to deregister unsatisfactory providers, and establish:

... financial safeguards ... for students' prepaid funds and safeguards ensuring the ongoing viability of those providers to whom students' fees are paid (Submission No. 128, p. 43).

Discussion of regulations which attempt to control educational quality and safeguard students' fees are discussed at chapter 7. For the purposes of this chapter, the key question is the use of registration for immigration control purposes, that is, to reduce undesirable immigration through controls on which institutions may or may not provide education services to overseas students.

It is argued at several points in this report that policies towards institutions are endeavouring to achieve several objectives, some of which are simply not achievable. Regulation of institutions under educational and fiduciary criteria, has been used in the past partly to address immigration issues. However, the Commission believes that efforts to deter non-genuine entry would be more efficient if they were focused on immigration criteria, for example, screening procedures and, once the student is in Australia, compliance enforcement.

Nevertheless, there are some immigration objectives which may be advanced through putting requirements on institutions. Institutions are currently required to monitor attendance and this should continue. However, DILGEA could, at its discretion, require course providers to keep attendance records which it could audit. In addition, immigration compliance procedures might also be targeted more directly at students, requiring them, as part of the conditions of their entry, to be able to substantiate satisfactory attendance at any time during their courses. Students would then seek to ensure that institutions they attended had procedures in place to provide them with appropriate evidence.

At the draft report hearings, DILGEA said:

We do not have legislative power to go into an institution and carry out an attendance check. ... The compliance activity with respect to attendance often originates by some allegations that students at a particular institution are not abiding by the rules or they come from the institution itself, through DEET, to us. Then in conjunction with the state education authorities and with DEET we are then able to visit the institution. During the last year we made 46 visits to institutions.

DILGEA added:

DILGEA sees scope for the introduction of powers within the Migration legislation to allow authorised DILGEA officers to enter institutions' premises and access their returns and books. Institutions could also be required to maintain records of the names and addresses of their overseas students. Should any institution fail to co-operate, the legislation would need to provide that visas would be denied where the decision maker is not satisfied that there are appropriate arrangements with the course provider to monitor the compliance by the applicant with the conditions of the visa to be granted (Submission No. 183, p. 6).

The Commission sees merit in this suggestion. Compliance authorities should be able to make independent checks on both institutions and the attendance habits of students. DILGEA staff should be able to undertake random checks on institutions and work places, targeting suspect institutions or students. Ultimately, institutions with poor records for student overstay and other breaches of entry conditions would come to the attention of immigration authorities.

The Commission recommends that there should be more rigorous attendance checking and other compliance enforcement techniques to help reduce infringements of visa conditions. This should be DILGEA's responsibility. DILGEA should have the power to enter premises, check attendance and impose other requirements reasonably necessary to carry out immigration policy.

The Education Services Act provides for a register, administered by DEET, of institutions which have been registered by State/Territory governments. The principal purpose of the Act is to regulate institutions so as to attempt to protect students' funds. There may be merit in DILGEA having legislative power to set up a register of institutions. Currently such a register is contained in the Education Services Act. When this Act ceases to have effect, on 1 January 1994, the Commission considers that the responsibility for the register should pass to DILGEA as part of its immigration control function.

However, the Commission envisages that the nature of the register would then change. Rather than continuing to rely on registration procedures which require accreditation as a prerequisite, all institutions providing courses for overseas students would be registered. This register would be used by immigration staff at posts in assessing student bona fides to satisfy themselves that, at a minimum, the institution does operate at a particular address. They can also take note of previous audits of attendance records. However, DILGEA should advise its overseas staff to assess more closely the bona fides of students applying to institutions which have been found to have poor or fraudulent procedures for dealing with attendance. In this way, the identity of institution to which the visa applicant has applied could become a risk factor in visa assessment. Such institutions would quickly lose credibility in the international market as student visa applicants were rejected. In more serious cases deregistration would also be an option. Deregistration processes, based on immigration criteria, should be developed.

The consequences of loosening accreditation for quality and fiduciary purposes are considered in chapter 7.

One conclusion of this chapter is that much of what is being considered by governments in the context of accreditation and registration for educational and fiduciary reasons is not well-suited to achieving immigration objectives, and therefore should not be used for this purpose.

The Commission recommends that, on the expiry of *the Education Services for Overseas Students (Registration of Providers and Financial Regulation) Act 1991*, DILGEA should maintain a register of institutions offering courses to overseas students, to assist with bona fides testing. But accreditation should not be a prerequisite for registration. Deregistration processes based on immigration criteria should be developed.

The relationship between this proposal and accreditation issues is discussed in chapter 7.

5.3 Administration of immigration policy

In addition to criticisms of particular aspects of current policy, there have been claims that frequent changes to, and the complexity of, visa issue rules and processes have themselves represented a major impediment to the efficient export of education. The ELICOS Association and others argue that this is a major cause of what has been characterised as Australia's somewhat tarnished reputation as a supplier of education services to overseas students.

This view is supported by a number of participants. Typical of those views is that of Murdoch University, which said:

Generally we do not feel that entry requirements, screening processes and health checks are unduly onerous or an impediment to the development of education export services ... The real problem is the constantly changing requirements of immigration policy. It is the number and frequency of changes which, in our experience, cause the most upset, irritation and plain bad publicity in the market place (Submission No. 28, p. 7).

Poor dissemination of information on changes to visa rules and procedures and the interpretation of these rules was cited as a major problem by the former Buckland College. It said that:

... it is not uncommon for staff in embassies or high commissions in different posts to interpret and therefore implement regulations differently. Anecdotal evidence from particularly applicants to private providers, testifies to visa applications being rejected because post personnel have read the procedures or regulations differently. Frustration is enhanced because requests from institutions for clarification to central office are met with stonewalling and outright refusal to clarify the situation in writing. Inaccurate and incomplete lists of institutions and courses entitled to be marketed overseas are also an area of major concern. Overseas posts often do not have the most current listings ... An institution's credibility can be destroyed because a post does not have the correct information and as a consequence rejects visa applications (Submission No. 33, pp. 2-3).

The Western Australian Ministry of Education said that:

Lead time for implementation of some changes has been inadequate. A recent and significant fee change had a lead-time of two days ... Situations have occurred where changes have been made without the knowledge of all sectors of the industry and without all Government offices and agencies being notified of the implementation date by the time that date fell due (Submission No. 46, p. 4).

Professor Goldring said:

One of the biggest problems that my Committee encountered in 1983-84 was the bureaucracy and inefficiency of visa staff in overseas posts (Submission No. 1, pp. 2-3).

The Edwards Group of Colleges said:

... in most cases, it is impossible to get copies of procedures or guidelines from the relevant government agency, the overseas student section of DEET in particular. A good example of this problem of communication is the introduction of the new visa categories. The industry was warned in September or thereabouts of its introduction on January 1 this year. Late last year, this was changed to April or "possibly July" because the relevant department was not fully prepared. It was ultimately introduced on February 1, with two days' notice. This college has to date not received official communication regarding the visa categories of its courses; yet we have been expected to market our courses and abide by these new procedures for over 3 weeks (Submission No. 52, dated 27 February 1991, p. 3).

Consultation and coordination

DILGEA contends :

... that the industry consultation involved in arriving at the proposed new arrangements was reasonable and extensive (Submission No. 125, p. 9).

Notwithstanding this, many participants felt that there has been very little industry consultation on proposed changes, and that there has also been a lack of consideration for the time required by institutions to advise overseas students of changes and to alter and send out new advertising material, before changes become effective. Some added that there has been a lack of coordination and communication between DEET and DILGEA, and between Commonwealth and State offices, in developing and implementing policy changes.

TAFE National Overseas Network said that:

The current plethora of Commonwealth Government agencies involved in the export of education services - DEET, DILGEA, Austrade, DFAT, Medibank Private - has resulted in confused attempts at enacting legislation, such as the Education Services Export Regulation Act. The introduction of the Overseas Student Health Cover levy and its collection by institutions is another recent example of lack of consultation by Commonwealth agencies and their lack of awareness of the problems they create for institutions whenever policy is made in isolation (Submission No. 36, p. 7).

WAPETIA said:

There have been numerous instances in the past when changes in government policy, regulations and other important government decisions have been made without the industry being informed. ... The lack of documentation and communication of changes in the industry is appalling. For example major changes to immigration procedures scheduled to take effect on February 1st 1991 have not been documented or passed on to schools even at this late stage (Submission No. 53, dated 28 February, p. 1).

DILGEA said:

The Cabinet decision on the new student regime tasked the Minister [for Employment, Education and Training] with establishing a national consultative mechanism involving State Government, industry and employee representatives. The National Consultative Committee on the Export of Education and Training Services [NACCEETS] held its first meeting in November 1990 (Submission No. 183, p. 6).

NACCEETS terms of reference are: to provide a national forum for discussion and information exchange on policy issues concerning the operation of education and training exports; to ensure that the promotion of Australia's education and training services overseas is properly coordinated across the whole industry; and to advise the Minister for Employment, Education and Training on developments in Australia's education exports industry.

At the draft report hearings, ELICOS said:

... the terms of reference of NACCEETS and the actual capacity for NACCEETS to have any power or any authority to make any decisions in terms of the matters that are raised on the agenda of NACCEETS is somewhat limited and whilst the meetings have improved enormously in calibre from number 1 to number 3, we still question the actual role of NACCEETS and what happens from NACCEETS onwards. I mean, where do things move after NACCEETS? (Transcript, p. 949).

There is sufficient evidence to the effect that past consultation with industry on major policy changes has been patchy and in some cases inadequate. On occasions insufficient notice was given before some major changes in administrative requirements were implemented. Where this has occurred, financial costs have been incurred, and confusion has been created amongst both students and education agents.

DILGEA said that it is optimistic that the creation of NACCEETS will help to rectify consultation problems with those likely to be affected by any proposed policy changes (Submission No. 183, p. 6).

The Commission recommends that departments, and in particular DILGEA, make greater efforts to consult with those likely to be affected by any proposed policy change. Attention should be paid to providing reasonable advance notice to those who will be affected when changes are to be made (for example, by taking account of the marketing requirements of institutions).

DILGEA and DEET are both heavily involved in the overseas students program. In law, DILGEA is responsible for all immigration-related requirements. DEET administers the subsidised student program, postgraduate research scholarships, maintains the Commonwealth's register of approved courses and institutions and supplies and receives AAFs, which are principally used to facilitate the issue of visas.

However, in practice DEET checks such immigration-related matters as passport applications and evidence of payment of course fees, advises applicants of discrepancies in documentation, and passes completed documentation to DILGEA. It is also advised by institutions of student non-compliance with visa conditions, which it may then pass to DILGEA. DEET also has responsibility for ensuring that overseas students comply with visa obligations as they affect education. According to DILGEA's *Procedures Advice Manual*:

... it is a requirement that DEET approve the student status of every applicant for study/continued study in Australia other than those requiring AIDAB approval.

This suggests that there is double-handling between the two departments; at least there is clear scope for simpler administrative arrangements. DEET and DILGEA are currently negotiating on the transfer of responsibilities in relation to the overseas student program. There is a proposal to transfer visa/entry permit processing responsibilities from DEET to DILGEA, although no timeframe for this transfer has been determined (Submission No. 183, p. 7).

The Commission recommends that rationalisation of the respective roles of DEET and DILGEA should be undertaken, with emphasis on minimising the scope for overlap by allowing DILGEA responsibility for administering immigration functions.

Delays in visa processing

Institutions also say that long delays in visa processing (it is claimed up to eight weeks in some cases) and differing interpretations of visa rules among various visa posts overseas have tarnished Australia's reputation as a supplier of education services and hindered Australia's exports of education. It is generally felt amongst providers of education services that Australia must be able to provide visas to overseas students as efficiently as the United States, United Kingdom and Canada.

Education Victoria stated that student visa requirements for Australia are onerous and expensive in comparison to our major competitors. It said that:

... a student in Taipei needs to allow 4-8 weeks to obtain a student visa for Australia, but could usually obtain one for the USA within 24 hours. Such delays mean that some students decide to study in other countries rather than in Australia (Submission No. 29, p. 6).

TAFE Queensland - International Programs said that the time taken to obtain visas, extensions and renewals:

... is inappropriate compared with competitor countries (Submission No. 8, p. 11).

Edlink said that medical checks on students in some countries had led to delays in visa issues because faulty X-ray film or machinery had made it difficult for medical staff at the posts to interpret the results. Because of this, they were sent to Australia for checking, thus leading to delays.

The ELICOS Association said that long delays were reported to it by students from both gazetted and non-gazetted countries. It said that:

Recent statements by officials dealing with the export of education services have claimed significant improvements in visa processing times over the past several months. ELICOS centres, however, have seen only limited improvement in visa processing efficiency in most major markets in the past six months (Submission No. 129, Stage 3, p. 30).

It noted that turnaround times for Japan are now three days for correctly completed application forms, but added that 50 per cent of forms were incorrectly completed.

DILGEA said that visa applications from gazetted countries should generally take less than a week, and no more than 10 days, to process. Where delays occur, they are often the result of incorrectly completed forms, and problems with those medical checks where the results have to be sent to Australia. This can delay processing for up to a month. Applications for category B courses from applicants in non-gazetted countries involve delays because of the PVA process and the need to complete subsequent enrolment before visa issue can be finalised.

The Department of Foreign Affairs and Trade said that it had followed up complaints about delays in visa processing at particular posts and found that, in most cases, visa issue turnaround times were two to three working days with a maximum of one week.

Clearly, delays involve a cost. However, DILGEA said that visa processing times have been reduced and in many cases now appear comparable to those of most of our competitors.

For example, DILGEA said that the turnaround time for correctly completed student visas lodged in Bangkok is five working days, compared to one week for Canada, New Zealand and the United Kingdom and one day for the United States. Similarly, 80 per cent of applications from Hong Kong students are processed within a week, whereas Canada requires three weeks.

Concluding comments

It would appear that significant and unheralded changes to immigration rules have damaged Australia's reputation as a provider of education services. These changes, and the poor and inconsistent way in which they have often been implemented, have also caused considerable problems for overseas students in obtaining a visa. Often there has not been enough warning before new regulations are implemented.

It has implications for any analysis of the problems facing the industry, as it may be poor administration, rather than particular aspects of the policy, which is causing problems. Poor information by Departments, and lack of coordination between the authorities concerned, has at various times also caused confusion amongst overseas students. Departments are often slow and inefficient in letting students and institutions know what the new regulations are and what the effects on students will be.

5.4 Medical testing and health insurance

Medical testing

Most students coming to Australia, and their dependants, must undergo a compulsory medical examination, comprising a medical assessment and a chest X-ray. This is intended to prevent the transmission of tuberculosis (a low incidence disease in Australia).

Visitors are generally not subject to health assessment. While they, like students, may be in Australia for relatively long periods, students spend some time confined in classrooms, where the potential to transmit the disease exists.

There have been claims by institutions that medical checks impose unnecessary delays on the processing of student applications in some countries. The large backlog in applications from the PRC during 1989 was said to be due in part to the introduction of stricter medical requirements. DILGEA said that questions arising from medical checks were a common reason for visa delays, because these applications are referred to Australia for advice.

Elizabeth Tindle of Queensland University of Technology expressed concern that medical testing on overseas students was not extensive enough and that it appeared that some overseas students were able to obtain Australian residency on graduation without undergoing the rigorous medical checks incurred by other immigrants. She said:

A figure has been given that 1 in 5 Asians are carriers of Hepatitis B. In view of the enormous numbers now coming to Australia, I would recommend that all potential students be obliged to have a blood test before entering the country and to be free from the Hep.B. virus to qualify (Submission No. 4, p. 1).

The Commission has been drawn this issue to the attention of the Department of Health, Housing and Community Services.

Applicants for visas for courses of less than 12 months duration from designated low health risk countries (currently only Canada) will not be subject to health checks. The list is to be reviewed every six months (Dawkins 1990a). The main issue in designating a country as a low health risk is the incidence of tuberculosis. This is monitored and if the incidence of this disease substantially changes, the Department of Health, Housing and Community Services may amend its list. The Department considers that there have been no substantial changes warranting amending the list, and Canada remains the only designated low health risk country.

According to Harris (1990):

The non-formal education export industry observes that the prescribed tests for many overseas students are expensive - relative to per capita income in the country - and those costs reduce the Australian industry's competitiveness. But if the Australian Health Authority has assessed risks correctly, the benefits of waiving tests would accrue principally to the industry, while the resultant costs would principally be borne by the Australian community.

DILGEA takes advice from the Department of Health, Housing and Community Services on medical testing matters. DILGEA said:

DILGEA recognises that this is time-consuming and expensive (particularly the radiological examination) for intending students and that this requirement may well determine the study destination of those students who are interested in short courses.

It went on to say:

There is scope, because of reciprocal health services agreements, to reduce health requirements for students in some markets where they are not required for other temporary entrants. DILGEA will explore this issue with [the Department of Health, Housing and Community Services] (Submission No. 125, pp. 4-5).

Health Insurance

A prerequisite for students obtaining a visa is that they are insured against illness or accident while resident in Australia. Students are required to maintain insurance cover. Health insurance is either by Medicare (for those eligible), or private health insurance. The only students who are eligible for Medicare are AIDAB-sponsored students, EMSS students, private subsidised students and Overseas Postgraduate Research Scholarship Program students. Visitors are not required to have insurance cover.

The Government has entered into a monopoly arrangement with Medibank Private for the provision of medical and hospital insurance for full fee paying students and any accompanying or joining dependents. This is the Overseas Student Health Cover (OSHC), and costs \$150, with a pro rata fee for shorter courses. Even students who take out private health insurance in their home country, or who have pre-existing cover, are required to take out separate OSHC. The arrangement was entered into in March 1989 and the Government agreed to underwrite any excess claims over the premiums collected by Medibank Private. DEET has responsibility for reviewing this premium. DEET's involvement in this process is also being reviewed.

Following consultation between the Government and industry, it was decided that institutions will collect and pay the OSHC premiums direct to Medibank Private for all students as from March 1991. Contributions can only be made for periods of up to 12 months at a time. The Shelford Anglican School for Girls said:

... the complexity of the administration process for visa renewal each year and the compulsory health cover causes further hassles for students and schools. Surely it would be easier to issue visas and health cover for the duration of the course. The present system seems unnecessarily cumbersome and involves school staff in hours of extra paper work and follow up. Could guidelines for the procedures also be notified well in advance to all concerned? There seems some confusion with so many changes that even the departments are at times unsure of the current practice.

It went on to say that:

The present system seems to seek to encourage students to come and then in effect put them off with the complexity of the requirements and the level of costs involved. There is no doubt other countries seem able to offer an easier way than we do (Submission No. 5, p. 1).

TAFE Queensland - International Programs also objected strongly to the new arrangements whereby institutions collect the OSHC. They said:

The commission of 5% does not cover administration costs and is not an incentive. The additional costs will inevitably have to be borne by the students ... Institutions should not be required to administer health cover which is a Commonwealth Government initiative and requirement (Submission No. 8, p. 10).

Alternatively the premium can be collected and paid by the Australian Education Centres (AECs) in the same manner as tuition fees.

The former Buckland College raised the issue of offering overseas students alternative health care insurance schemes. It said:

The national health care system is finding the cost of providing students with health cover to be an administrative burden that causes considerable expense and further adds to the health care costs of all Australian citizens. Institutions also find the administration involved in providing the cover cumbersome and expensive to maintain, it would seem therefore that a case could be made for finding alternatives and providing students with a choice of health care schemes. Other overseas destinations offer a choice (Submission No. 33, p. 5).

The University of Western Australia, Overseas Students Office said:

Some students have expressed dissatisfaction with Medibank and requested permission to take out medical insurance with other organisations, even if resulting in higher costs to themselves. Yet this is not allowed (Submission No. 111, p. 6).

The Melbourne Council for Overseas Students said that students who work and earn enough to be taxable are not exempted from the Medicare levy, even though they do not qualify for Medicare services (Submission No. 59, p. 8). Nevertheless, this is not likely to be a concern for most students as they do not earn sufficient income. The Medicare levy is not payable unless taxable income exceeds \$10 331.

If it is seen as necessary to require compulsory health insurance for overseas students, the Commission sees no reason why this should be solely through Medibank Private. In Australia alone there are other firms which could provide such services. Moreover, some students will have health cover under insurance policies from other countries.

In response to the Commission's proposed recommendation in the draft report that overseas students be able to obtain health cover either with an Australian health insurer or have an arrangement acceptable to Australian health providers, DEET said:

Cabinet noted in 1990 that any alternative offering exemption from OSHC would need to provide health cover at least to the standard provided by Medibank Private (and such equivalence is difficult to determine) and any alternative would also have to be able to guarantee timely payment of accounts, including those to publicly funded health institutions. It would be difficult to ensure that an alternative to Medibank (which might be overseas) could guarantee payments to health care providers in Australia. The absence of such guarantees could lead to greater additional private and government expense if there were any payment defaults.

It went on to say:

The OSHC provides a sound cover at low cost. Some of the concerns about health care costs may stem from the fact that overseas students seem in some cases to be "overinsured". A recent survey of 2 000 ELICOS found that many of them had several hundred dollars of health insurance in addition to the OSHC (Submission No. 158, Part 2, p. 4).

On the other hand, the Department of Health, Housing and Community Services noted that samples of overseas health insurance policies it had examined were found to be unsuitable for health cover in Australia (Submission No. 201, p. 2). That submission also raised concerns about the administrative complexities of changing the current system to permit a variety of providers. The Department also considers that only a health benefits organisation registered under the National Health Act could be permitted to provide alternative cover to Medibank Private.

The Commission recommends that consideration be given to an administratively feasible scheme which would allow students who do not wish to obtain Overseas Student Health Cover through Medibank Private to be permitted to use health cover under an alternative insurer acceptable to government.

The Commission acknowledges that there would be administrative costs and complexities in determining what alternative health schemes and insurers are acceptable. It also acknowledges that other domestic insurers may not be competitive with Medibank Private because of the current low charge for the OSHC. Nevertheless, the Commission sees merit in giving overseas students the option of alternative cover. Tourists often travel throughout Australia with insurance taken out in their own countries and which for many is adequate to meet their needs. These arrangements appear to be acceptable to Australia.

Changing the current monopoly arrangements may require the Government to ensure that students have adequate health cover, rather than passing this responsibility to institutions.

The question of adequate cost recovery in this area is being examined by the Commission's inquiry into the Exports of Health Services. That inquiry is also considering whether there is any implicit or explicit subsidy in the provision of the OSHC for overseas students. To the extent that there is, it will be harder for other Australian health funds to compete with Medibank Private. Either way, overseas students should still be able to take out alternative health cover, including from overseas providers, of a kind acceptable to government.

5.5 Conclusions

In the Commission's view there is scope for some changes better to focus the policy instruments available to immigration officials on the objectives which Australia has for its immigration policy. Broadly, the Commission is proposing less regulation and more emphasis on compliance, with better targeted screening. Some current policy measures impose unnecessary costs on the education exports industry.

Payment in advance to demonstrate bona fides is an example. It gives undesirable signals to institutions, removes from them the need to check the financial bona fides of students, and places students in a financially vulnerable position. As discussed earlier, this requirement should be withdrawn and more reliance placed on the financial bona fides checks employed by other immigration bodies. If further demonstration of bona fides is required, this would be better done by means of a requirement to lodge a bond.

Using accreditation of institutions as a means of preventing the offer of sham courses to attract non-bona fide students is another indirect instrument which has high costs. This is discussed in detail in chapter 7, where the Commission argues against compulsory accreditation. But it is proposed that there be registration processes for immigration purposes and that the maintenance of attendance records be a condition of registration of institutions. The onus of adherence to visa requirements, however, remains with the student.

But problems not only relate to current immigration policy settings. It also appears to be the case that there is considerable scope for improving the administration of the overseas student program, and coordination between relevant departments. In particular, communicating information about what the rules are, and any changes which have been made, has been inadequate. The evidence on this matter, while anecdotal, is persuasive.

Some recent policy changes appear to have been made without the benefit of up-to-date comprehensive statistics on overstay rates in particular. This does not necessarily mean those decisions were incorrect. However, as noted in the previous chapter, there is a need for more comprehensive and up-to-date data on student movements and the extent of overstay to allow assessment of the effects of policy changes and current immigration requirements.

6 WORK RIGHTS

Giving students the right to work while studying increases the attractiveness of Australian education. Many participants thought the current 20 hours a week entitlement was reasonable, allowing an appropriate balance of study and work. At the levels experienced in the past, the evidence indicates that the overall effects on the labour market of overseas students working are likely to be small but positive. No changes are recommended for these students, but dependants of category A visa holders should be permitted to work full time. Work permits for a new category of very short term students would seem not to be required.

6.1 Introduction

Work rights give overseas students the opportunity to earn money to cover some of the expenses they incur in studying in Australia.

The availability of work rights for overseas students is considered by the Australian education industry to provide a marketing advantage over its overseas competitors. Funds for tuition, fees and living expenses are often borrowed; hence the ability to work part time is attractive to some overseas students.

However, work rights may encourage non-bona fide students. Essentially they lead to non-genuine applications from people who simply want to work in Australia, or become illegal immigrants.

Work rights may also affect the Australian labour market. Students working create an increase in the pool of part-time labour. The impact of this depends in part upon whether Australian workers are displaced from employment, any effects on wages for those not displaced, and whether foreigners undertake jobs which Australians will not undertake.

6.2 The availability and use of work rights

Current rules

Until February 1991 there were seven visa classes within the student/trainee visa, and only one did not have work rights attached to it. Students were permitted to work 20 hours per week, and full time during course breaks.

From 1 February 1991 two new student visa classes (categories A and B) replaced the previous seven. Apart from work related to a course of study or training, overseas students in both visa classes are permitted (subject to Australian law) to work for up to 20 hours per week while the institution at which the holder is studying is in session, and full time during course breaks.

Family members covered under category A visas from any country, or category B visas from gazetted countries only, may work for up to 20 hours a week.¹ Family unit members covered under category B visas from non-gazetted countries are not permitted to work.

Prior to the new arrangements, dependants were generally permitted to work full time. However, the ease of entry to Australia, non-demanding criteria for entry into certain courses and the availability of work rights for students and dependants was felt to be a major attraction for non-genuine students. One way the Government has attempted to reduce the attraction for non-genuine students is by restricting the work rights of dependants.

Employment in Australia is generally not permitted for overseas students who have completed their studies or training, as students are expected to return to their home country. Employment may be permitted for those students who, after graduation, require practical experience to obtain registration in a profession in their home country. During this period these students retain the same visa category which they held while undertaking their studies.

Evidence on use of work rights

The major problem in attempting to report on how many students work, for how many hours a week they work, and their earnings is that there are incentives for both institutions and students to underestimate the time students spend working.

The issue of students working is contentious. To the extent that students and institutions are aware of this they will be cautious in responding to surveys. Students from more authoritarian regimes than Australia's are suspicious of having records made of their personal behaviour. When their work times exceed the permitted 20 hours they are likely to be particularly cautious of having this recorded, even when assured of anonymity by the surveyor. The ELICOS Association conducted an interview of 1 483 ELICOS students and found that:

The sections of the survey related to employment, hours worked, payment received and tax paid were not as well answered as they might have been. This could be due to poor understanding of the questions and/or a disinclination to answer correctly because it was felt that this was an unnecessary invasion of privacy or because of a sensitivity about the legitimacy of their employment (Submission No. 129, Stage 2, p. 61).

¹ A gazetted country is one with a low risk of overstay (see chapter 4).

Careers Business College which conducted a survey of its students found that:

It can also be speculated that some students may have failed to respond to the question [on work rights] because they were working in excess of the 20 hours weekly limit, even though the questionnaire was anonymous and confidential (Submission No. 72, p. 18).

The CIE (1991) found discrepancies between reported expenditure and income which suggests that students did not respond truthfully to its survey.

Types of jobs undertaken by overseas students

Surveys undertaken on overseas students have generally found them to be working in low paid, unskilled and semi-skilled occupations. The main areas seem to be the food industry, the cleaning industry and factories. Students were also found to work as taxi drivers, shop assistants, office workers (clerical), bar workers and nurses.

According to a survey of 889 students enrolled at Careers Business College in 1991, half of all respondents said they worked in the food industry.

Rhema Bible College said:

Students usually find work in the industrial cleaning area or a midnight to dawn shift at 24 hour service stations. There is always a high turnover of workers in these areas ... Our experience has been that the employers in these labour markets will ring the college looking for students to fulfil a vacancy. In this case the student is not taking a job from an Australian as many Australians are not prepared to work those shifts or do industrial cleaning work (Submission No. 62, p. 4).

How long do they work, and how much do they earn?

Several studies on overseas students have examined the use of work rights in the context of how overseas students fund their course fees and living expenses while in Australia. These were undertaken by the Goldring Committee (1984), the BIE (1989) and the CIE (1991).

The Goldring Committee's survey found that 44 per cent of overseas students needed to supplement their income by working (Goldring 1984).

The survey undertaken by the BIE in 1987 indicated that income earned from working amounted to 11 per cent of total expenditure, or about \$25 per week.² The BIE noted that this contradicted the popular belief that part-time work is a significant source of finance for overseas students. Rather, the survey showed that, on average, 65 per cent of the finance needed by foreign students at Australian institutions came from relatives living overseas (BIE 1989, pp. 33-34).

² About 800 overseas students (representing 5 per cent of the overseas student population) were surveyed. They were drawn mainly from those institutions where there were significant concentrations of overseas students.

The CIE estimated that the average weekly earnings of overseas students varied from \$11 per week for secondary school students to \$57 per week for students enrolled in non-formal special studies. University students were estimated to earn \$40 per week, and ELICOS students \$26 per week. However, this latter figure was considered doubtful because of the lack of PRC students in the sample relative to their representation in the population of ELICOS students. As noted earlier, there is some doubt that overseas students were willing to reveal their true work habits. The CIE concluded that part-time work provides a relative modest contribution to the finances of overseas students (CIE 1991, p. 66).

However, examination of these surveys needs to take account of their timing. The Goldring Committee report was prepared at a time when there were no full fee paying overseas students. At the time of the BIE survey the proportion of sponsored and subsidised formal students was much larger than is now the case. The CIE survey was undertaken only recently, after further tightening of entry procedures and availability of work rights by DILGEA to deter abuse. Moreover, it was very limited in its coverage.

Several surveys have also been carried out in particular institutions:

- A survey of 40 full fee paying students enrolling at Cumberland College in 1991 indicated that 71 per cent intended to work whilst they are studying (Submission No. 56, p. 5).
- A survey of 889 students enrolled at Careers Business College in 1991 indicated that 70 per cent of students were supported financially by their families, although it was not clear to what extent (Submission No. 72, p. 14). The survey also indicated that 17 per cent of students claimed they paid for course enrolment from income earned in Australia.
- The Careers Business College survey found that 66 per cent of 561 students claimed to be undertaking employment as well as pursuing studies. It found the average estimated weekly earnings amounts to about \$97 per student. However, 60 per cent of the 576 students who responded to the question on income earned in Australia, claimed to earn between \$101 and \$200 weekly (Submission No. 72, p. 19).
- A survey of 1 097 overseas undergraduate students conducted by Dr B Burke at the University of New South Wales in 1984 found that:

81 per cent of the students surveyed said they were very concerned about finding part-time work. However, only 48 per cent reported they had a regular part-time job, and of these 18 per cent said they worked more than 10 hours per week ... overseas students are often at a disadvantage in competing for jobs with local students and sometimes report being discriminated against (Submission No. 56, p. 5).

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- The Overseas Student Unit of Swinburne Institute of Technology and College of TAFE said:

I don't think any student I know sent money home - they don't have that much money ... Most would earn A\$6-8 per hour, which even if they do work 20 hours and most cannot obtain this much work, would mean A\$160 per week or A\$8 000 per year (Submission No. 49, p. 7).

The results of the above surveys indicate that earnings from employment are helpful in supplementing students' finances, but the main sources of finance for overseas students are their parents and/or family members overseas. However, as noted earlier, those working in excess of their work entitlements are unlikely to be truthful in their responses. Moreover, it may be that non-genuine students are less likely to have participated in the surveys.

Participants' views of current work rights

Groups representing students, and many institutions, said that current work right entitlements were sufficient. Many argued that it was reasonable to permit students to work to fund the costs of their education and living expenses. A paper prepared for the ELICOS Association stated that:

... students from all income backgrounds, be they Australian or Indonesian, Swiss or Malaysian, rarely are of such independent financial means that they do not need to work occasionally during their studies (Submission No. 129, Stage 1, p. 77).

Several participants said that students could not do justice to their courses if they worked much more than the maximum 20 hours per week. The University of New England said that 'full time enrolment places a natural limit on the amount of paid work that can be undertaken if a course is to be completed successfully and in minimum time' (Submission No. 17, p. 5). The Melbourne Council for Overseas Students said that current rules enable:

... overseas students to earn money while studying in Australia, thus easing financial pressures, yet not allowing work to overtake study as a priority ... (Submission No. 59, p. 8).

However, the Faculty of Education, University of Sydney said that:

... the provision for allowing 20 hours per week is not appropriate for formal university courses and can be a disadvantage both to the institution and the student in the provision of properly organised and professionally taught courses (Submission No. 22, p. 2).

Dr B Burke, in reporting his survey of students at the University of New South Wales in 1984, said that 10 hours per week:

... is generally thought to be the notional maximum that a full-time student can work without jeopardising their studies (Submission No. 56, p. 5).

Education Victoria said that:

We do not believe that work rights should be extended beyond 20 hours per week during semester, as some students may be tempted to work rather than concentrate on their studies (Submission No. 29, p. 10).

Coffey MPW Pty Ltd said:

20 hours per week is obviously unenforceable and ridiculous in terms of a stated regulation. Such regulation and its inability to police, leads to some belief that other regulations may be similarly able to be flouted. It does not seem to be relevant in academic terms to restrict the number of hours of work; rather the number of hours of study should be the primary issue. If concern is to limit the potential impact of working students on working Australians, then the 20 hour limit has also failed because, coupled with taxation requirements to conform to tax number legislation, this has created an active black market in labour (Submission No. 63, p. 7).

While 20 hours per week was generally considered adequate for students, some participants commented on the impact of reducing work rights for dependants, especially on postgraduates. The University of New South Wales said:

Work rights for the spouse are of crucial importance in encouraging more overseas students. ... overseas postgraduate students want to bring their wives/husbands and family with them. The opportunity for the spouse to work makes an important contribution to financial viability (Submission No. 78, p. 11).

Education Victoria said:

We believe that the spouse of a postgraduate student should continue to be permitted to work full-time. This is often an important factor in choosing to study in Australia (Submission No. 29, p. 10).

Victoria University of Technology said:

In the case of postgraduate students who support dependants, the Institute advocates that government policy should continue to permit adult dependants to work full-time (Submission No. 68, p. 2).

Queensland University of Technology said that postgraduate students are critical to the national research drive. They claim that foreign postgraduate students are actively involved in research projects of national and international importance and the experience they gain here is the beginning of a long standing relationship between them and this country. We should therefore do all that we can to encourage the growth of this sector of the market. The restriction on their spouses from working more than 20 hours per week is a significant disincentive (Submission No. 60, p. 3).

La Trobe University said:

In the past, the dependant (usually the spouse) was permitted to work full-time; in the future, their work rights will be the same as those for the overseas student. Anecdotal evidence suggests that this change will prevent some students from studying in Australia (Submission No. 58, p. 13).

In response to the Commission's draft report the Victorian Government said:

... there are strong a priori reasons to believe that many non-formal course students would exceed the work right allowance.

They went on to say:

A work right allowance should only be available to students who have an incentive not to exceed it (namely, pressure of study) (Submission No. 190, p. 2).

Work rights in other countries

Work rights in other countries are generally restricted. They appear to be more limited than those available in Australia.

In the United States, overseas students in the first year of their course are not permitted to work except where the work is on campus and operated by the school in which the student is enrolled, and if a resident will not be displaced. Employment may not exceed 20 hours per week. After the first year, students can apply for a work permit to work up to 20 hours per week during term and full time during the holidays. Spouses and dependants are not permitted to work. Overseas students can also do 'practical training' for up to 12 months after they have completed their first year of study (Submission No. 101, attachment 2). However, the Commission understands that the United States is reviewing its rules. Under the new rules it is proposed that F-1 (Academic) students will be permitted to work off-campus without having to demonstrate economic need. However, they must be in good academic standing for at least one year and will only be permitted to work 20 hours per week during the school year and full time during vacations. The off-campus work provision will also require employees to provide labour attestations to the Department of Labour.

In the United Kingdom, overseas students can take casual employment during vacations with the permission of the Department of Employment. A student's spouse is normally free to work.

In Canada international students may only work in special circumstances, such as where employment is an integral part of the student's course of study, funding has been interrupted due to difficulties in the student's homeland, or where the student wishes to work as a graduate assistant on campus. A student may also be permitted to work after graduation in a study-related job for up to one year. However, employment authorisation from the Canadian Immigration Centre is needed. Spouses may also be allowed to work under certain circumstances.

In New Zealand, student permit holders are only allowed to work where this forms part of their course. However they can work during the summer vacation.

6.3 Work rights and the labour market

The effects of work rights on the labour market depend upon a number of direct and indirect factors. A major influence will simply be the number of students who work. Whether or not this results in some downward pressure on wages, the 'crowding out' of Australian residents competing for job opportunities, or the displacement of Australian workers already holding jobs, will depend upon the nature of the labour market in those areas where overseas students work.

Students who work potentially displace Australian residents. To the extent that this occurs, the earnings and presumably spending of these residents will be less than otherwise. In addition, resident unemployment may be higher and labour force participation may be lower. The size of these effects depends very much on the groups affected. For example, it is likely that residents working part time (or seeking part-time work), particularly in areas such as service industries, will be more affected than others. If potential resident workers in these jobs are only marginally attached to the labour force, the consequences for measured unemployment and participation will be slight.

Whether they work or not, students also spend, and their expenditure adds to demand. As noted elsewhere, much of this spending is on fees, accommodation, food and transport. This will have an effect on those parts of the labour market which supply such goods and services, generating employment for Australians and perhaps producing a tendency for wages to increase. The aggregate job creation effects are more positive when students spend a relatively high proportion of any extra income earned through work.

Clearly, then, the overall effect on the labour market for Australian residents will depend on the extent to which additional jobs are generated in response to higher students earnings and from the reallocation of that part of the job pool from residents to students. If the displacement of residents is low and/or the relative marginal propensity to consume of workers is high, the net effects could be job creating.

A complication is that students may send some part of their earnings to families in their home country. The possible repatriation of incomes overseas has effects in opposite directions. The exchange rate consequences of this financial flow are job-creating, since the devaluation implied by income repatriation increases demand for Australian-produced goods. On the other hand, the greater is the proportion of students earnings repatriated, the less is direct expenditure on domestic goods and services.

So far as the government deficit is concerned, the main consequences are on the tax side. There are two main avenues. First, income tax revenue rises if there is net job creation. Second, higher levels of expenditure imply higher indirect tax (and tariff) revenue from extra sales of goods and services.

However, on the expenditure side, there is the potential for increases in unemployment benefits, if job displacement is greater than the increase in jobs generated by higher student expenditure. Again, the empirical consequences depend very much on the characteristics of the potentially displaced group, since benefits are means-tested on the basis of family income. That is, if those affected have working spouses they are unlikely to qualify for benefits.

It is important also to note that governments are able to use macroeconomic instruments to offset effects on aggregate demand of overseas students' work rights. Thus the consequences for the Australian labour market depend, in part, on the ability and willingness of policy-makers to react to the effects of students working, and should not be analysed independently of this.

Finally, there may be longer-run effects of higher student incomes through the consequences for savings, although it is difficult to believe that the effects are large.

Previous Australian studies

A report commissioned by the Goldring Committee to examine the economic costs and benefits of the overseas students program found that competition with Australian labour is likely to be limited, since overseas students work mainly in part-time, part-year labour markets.

The report noted that overseas students, who represent only a small increase in labour supply, were not in competition with the main Australian unemployed groups. It added that:

They may still displace Australians from employment, but the costs of this are difficult to evaluate since the displaced workers are likely to be those from the secondary labour market. However, the gain in employment of Australians should overseas students be banned from taking Australian jobs is unlikely to be worth the cost and inconvenience of administering the ban (Manning 1984, p. 333).

Moreover, even in times of unemployment, the extent of displacement of Australians may not be great:

Some of the jobs which go to overseas students may have been created for them, or may be available only to students and similarly qualified people, so that displacement is not great. This probably applies to jobs in student hostels, and to work-experience jobs integrated with courses (Manning 1984, p. 333).

This is generally consistent with the evidence available from submissions to the Commission's inquiry (and, as noted earlier, many students take jobs which are difficult to fill).

Manning also noted that, to the extent that displacement of Australian workers occurs, it will cause an increase in unemployment benefits. As suggested previously however, the extent of increase

will be small if the majority of displaced workers do not qualify for unemployment benefits. Costs involved are borne by the taxpayer and by recipients of any other government expenditures which may be cut to pay the extra unemployment benefits. Any displaced Australian workers will bear the financial and psychological costs of unemployment.

In a paper prepared for an inquiry into International Trade in Services by the Industries Assistance Commission, the National Institute of Labour Studies examined the effects of temporary labour migration on the economy of the receiving country (IAC 1989b). It said that:

It is widely accepted that for centuries the import of foreign labour has helped to sustain rapid economic growth in the more developed and industrialized countries.

and that:

As expected studies typically conclude that the importation of labour depresses wages in sectors where the imported labour is concentrated ... National income, however, is invariably found to rise ... those studies that have examined the effects of temporary employment programs (in the US and West Germany) indicate that such programs do not displace domestic workers from jobs ... This is to be expected given that wages seem to have borne the brunt of adjustment ... (IAC 1989b, p. 35).

However, Australian wages are perhaps less flexible downwards than in many other countries. A temporary increase in unemployment cannot be ruled out if there is an increase in the supply of labour. In the longer run, however, there is no reason to believe that appropriate wage adjustment could not occur. The study suggested that labour migration, whether temporary or permanent, was favourable to the receiving country (IAC 1989a, p. 36).

The FitzGerald report noted that overseas students who work add directly to one of the main factors of production - labour - and hence to the productive capacity of the economy (FitzGerald 1988, pp. 7-13). The issue is whether the rate of unemployment would be higher or lower if overseas students were not present. This also depends on the extent to which students add to total spending in the economy and hence the demand for labour.

That report found that, although overseas students should boost the total number of job opportunities for residents, there will be both winners and losers amongst the resident workforce. Sectors in which students tend to spend relatively heavily will be advantaged, while unemployed residents of sectors in which overseas students are likely to search for jobs will be relatively disadvantaged. However, overseas students who work help the process of job matching in the labour market. The underlying assumption is that students are more flexible in their willingness to accept jobs.

The CIE estimated that, of 65 000 overseas students in Australia in 1990, total earnings of those working amounted to about \$180 million, representing about 0.1 per cent of the wages bill for 1989-90.

That report found that the increase in labour supply reduced real wages slightly in these occupations, thereby reducing Australia's domestic cost level relative to its competitors and thereby improving the international competitiveness of trade-related sectors. Analysis using the ORANI model of the Australian economy showed subsequent increases in real GDP (0.11 per cent), real private consumption (0.08 per cent) and aggregate employment (0.14 per cent) (CIE 1991, p. 52). The gain in real GDP from this source is an additional 60 per cent above that of education exports in general (fees, food, accommodation, etc.) (CIE 1991, pp. 53-54).

The CIE concluded that:

The results of these reports are consistent with net benefits to Australian citizens from allowing students to work. Against this view have to be considered any added displacement of Australian workers that may result. To the extent that those effects are evident, net benefits to Australians are reduced. Perhaps more important than any of these considerations, however, can be the dynamic benefits for the economy that arise through increased flexibility in the labour market and the productivity of industry. Though difficult to capture in economic models, these changes can generate long-term economic gains.

Some argue that overseas students are being 'exploited' through being underpaid. The Sydney Committee for Overseas Students argued that:

Those (overseas students) that do find employment are often exploited. Their employers, usually from their own ethnic background, pay them well below the legal rate of pay, and in many instances get away with it because it is the only job that the student has been able to find (Submission No. 9, p. 3).

A different view was put by the CIE, which argued that:

The notion of 'exploitation' is a strange idea in that students are willingly making themselves available to employers ... If there is any exploitation, it occurs when people are denied access to work at wage rates they are willing to accept (CIE 1991, pp. 21-2).

Because of the lack of information about the work habits of students, in part because students and institutions are unlikely to disclose practices which may be illegal or at least may be perceived as doubtful, it is not clear to what extent this is occurring.

Should students be allowed to work more?

The above studies indicate that at levels experienced in the past, the overall effects on the labour market of students working are likely to be small but positive. Indeed, if labour concerns alone were relevant, it would be appropriate to ask whether work rights should not be extended. While most students appear to work less than the maximum allowed 20 hours per week, this conclusion might suggest that, if it were feasible for students to work full time and still study successfully, this should be permitted. There would appear to be no loss to Australia (and perhaps some gains), and it would benefit the student.

It is difficult to assess what the labour market effects of students working full time might be. The evidence to date has been that students working 20 hours or less operate largely in competition with part-time labour. If students were permitted to work full time this would clearly change. Students may take different kinds of jobs to those they take now and compete more directly with Australia's full time labour market.

However, there is a broader issue to consider. Permitting students to work full time would make the student visa something akin to a general 'guest worker' visa, which Australia does not have. Clearly such a major change in policy direction would have significant implications for the labour market quite different to those resulting from the 20 hour a week rule for students. It would also have significant implications for Australia's immigration program. That is a matter for broader consideration than can be given in this inquiry.

Either way, however, it is not desirable that the student visa be used by people intending to gain access to Australia simply to work. While it may be feasible that students can both study and work full time, it is the student's primary reason for coming to Australia which is important. The primary reason should be for study purposes and not because of work rights. Essentially, the objective should be to obtain students who may work incidentally to their studies, not workers who occasionally study.

On the other hand there is the question of whether persons holding student visas and attending very short courses (see chapter 4) should be accorded work rights. Such students would seem not to have a high need for work rights nor a great opportunity to use them. Moreover, there may be a view that the risk of overstay could be increased if work rights were provided. **Accordingly the Commission does not recommend that a new group of very short-term students be granted a work permit.**

6.4 Work rights and incentives to enter Australia

By enabling overseas students to earn money to cover some of the costs incurred in studying in Australia, work rights are widely seen as a marketing advantage for Australian institutions over their overseas competitors. Many institutions support the granting of work rights to overseas students. For example, Education Victoria said that:

This is an attractive factor to overseas students, as most of our overseas competitors have more restrictive provisions (Submission No. 29, p. 10).

A survey of 250 overseas students counselled in AECs during the first week of February 1991 indicated that, while the presence of friends and relatives in Australia was often the major reason for coming to Australia to study, student work rights was a secondary reason for their choice (Submission No. 101, p. 8). These two factors were also cited by students surveyed by Careers Business College, although they were ranked in the reverse order (Submission No. 72, p. 6).

Access to the Australian labour market is a valuable commodity to many people overseas. At present, becoming a student is by far the easiest means of obtaining this for most overseas persons. To some, paying fees to educational institutions is a short-cut way of 'buying' their way into Australia. Some temporary immigrants have no interest in pursuing studies, and are effectively buying access to the Australian labour market, either for the short term if they eventually go home, or for the longer term if they become overstayers.

Abuse of work rights has been one of the primary reasons for the introduction of stricter immigration rules on overseas students. Of particular concern are those for whom access to the Australian labour market appears to be the main or indeed sole reason for obtaining student visas.

While statistics are available for those who overstay (see chapter 4), little information is available about students who eventually go home but temporarily overstay in order to work full time before they go. Similarly few statistics are available to determine the extent to which overseas students work for more than 20 hours a week. The University of New South Wales said:

Contact with large numbers of students suggests that most stay within the 20hpw limits; it is estimated that approximately 5% exceed this limit (Submission No. 78, p. 11).

The Careers Business College survey found that about 80 per cent of the 586 students who responded on this question claimed they worked 20 hours weekly or less, whilst about 20 per cent claimed to exceed the permitted 20 hours a week. It went on to say that it was possible for students to work longer than the permitted hours but still satisfy the criterion of 90 per cent class attendance, by working Friday evenings and on Saturdays and Sundays (Submission No. 72, p. 18).

Other types of visas which have work rights attached to them are much more restricted in their availability. In general, there is little opportunity for nationals from many countries to come to Australia and work legally. More generally available short-stay visas, such as those for tourists, do not give work rights to the holder, and require evidence of the visitor's ability to finance a holiday for the visa period.

The availability of work rights exacerbates problems of overstay and non-adherence to visa requirements among overseas students. Applicants are entitled to have work rights taken into account in the assessment of their ability to support themselves during the period for which the visa is issued. While a number of other tests are applied, work rights make it a little easier for an applicant of relatively limited means to obtain a visa. This, combined with the limited academic prerequisites for some courses, provides an avenue for non-genuine applicants.

Edlink Pty Ltd said that:

Non-compliance becomes a feature when a person's identity and eligibility to work do not have to be revealed or cannot be established easily at the time of seeking a job. Additionally, employers are either unaware of the rules or not inclined to check the status of applicants. Unless the government police employers who offer work illegally, and impose severe fines on offenders, the students visa (as well as other visa categories) will continue to be abused.

It added that:

It is of little use to debate whether students should be allowed to work or not and how long they would work per week, unless such policies can be strictly enforced (Submission No. 19, p. 6).

Enforcing compliance

Compliance activity is essential in defending the integrity of the immigration policy. It is important both in deterring breaches of visa conditions by those in Australia, and also in discouraging applications to enter Australia by those who might intend to act illegally. It is carried out partly by requiring minimum attendances at classes to check for those working in excess of work rights entitlements and by using DILGEA compliance staff to check for those overstaying their visa periods.

All institutions are required to inform State offices of DEET (which subsequently informs DILGEA) of cases where a student's attendance drops below 90 per cent. This is a condition of accreditation. In addition to this most formal institutions have internal checks on students who miss too many lectures or tutorials and fail exams. The Education Department of South Australia said:

... the work rights are enforceable in our situation because we simply say to students that if their academic progress is not satisfactory, under the conditions indicated on the AA form, we will send them home (Submission No. 70, p. 6).

As noted in chapter 5, the Commission sees merit in requiring institutions to monitor attendance of overseas students as a means of enforcing compliance with the conditions attached to student visas. Officials can check that student are not, for example, missing classes in order to work. The link between this issue and registration and accreditation requirements for institutions is discussed in chapter 7.

Employing postgraduates after their studies finish

Some participants raised the issue of postgraduates working in Australia on completion of their studies and the inability of some to immigrate without returning to their home countries.

The AVCC claimed:

... Australian higher education institutions will face increasingly severe difficulties in recruiting academic staff. ... It happens from time to time that overseas students, particularly those undertaking doctoral or postdoctoral study, are identified as appropriate appointees to academic positions within an Australian higher education institution. In such cases no good cause is served by forcing the students to return home before they can apply for entry in order to take up an offer of employment in a higher education institution (Submission No. 80, p. 11).

Dr Gamage said that if, in the selection process of filling an academic position:

... the best applicant happens to be a person who had entered Australia to follow a higher degree course and categorised as a 'subsidised student' (all students who entered Australia before 1990 were subsidised), then the immigration regulations prohibit that employer in recruiting that applicant on permanent basis within Australia. This is the case even if the applicant entered Australia on an individually offered university scholarship from an Australian university. The regulations say if the applicant has been a prescribed 'non-citizen' over the last 10 years then they are not eligible for a resident permit (Submission No. 81, p. 2).

The Sri Lankan Post-Graduate Collective of Melbourne said:

The Collective is of the view that there are a significant number of overseas students graduating from Australian Universities with higher degrees who could be readily recruited to fill some of the academic and research positions vacant in Australian Universities and other higher educational institutions. However, the immigration regulations currently in force are too restrictive and as a result the higher educational institutions have been prevented from making optimal use of this valuable resource (Submission No. 108, p. 1).

Prior to December 1989 all overseas students in Australia were classified as prescribed non-citizens. Prescribed non-citizens are not able to apply for change of status within Australia to permanent residence if they have been a prescribed non-citizen for less than 10 years. To obtain permanent residence they are required to leave Australia and apply to immigrate; a two year exclusion period applies. This is because students who are subsidised under Australia's aid program are expected to return home to make a contribution to their own country. The two year exclusion period is waived under the Employer Nomination Scheme. However, it is difficult for students to be eligible under this scheme.

In December 1989, changes were brought in which no longer classified full fee paying students as prescribed non-citizens. As a result, full fee paying (formal course) students who arrived in Australia after 19 December 1990 can now obtain permanent residence on occupational grounds (Submission No. 183, p. 7). Assisted or subsidised students, exchange students and, incongruously, postgraduates with university scholarships are still classified as prescribed non-citizens. However, private subsidised and all full fee paying (formal course) students in Australia are able to be sponsored by an employer to stay here to work temporarily for up to four years.

Postgraduate students make valuable contributions through their studies and research not only to the immediate institution but to the whole of Australia. Their knowledge and expertise is lost to Australia if they are unable to transfer it because they are required to return to their home countries after their courses finish. In addition to this loss of knowledge is also the loss of potential academics. A report prepared for DEET, Study of the Labour Market for Academics, found:

... the requirements for additional staff over the next decade are substantial and these requirements will not be able to be met from the flow of Australian-produced higher degree graduates. ... sources of supply other than new higher degree holders from Australian higher education institutions will have to be tapped. These other sources include: suitably qualified individuals from overseas; existing higher degree holders currently working outside higher education; and honours and ordinary degree holders, who may then pursue higher degree study while on-the-job (NILS 1990, p. x).

In the draft report the Commission proposed that immigration requirements be reviewed with the view to allowing non-AIDAB assisted postgraduates to apply to migrate through change of status within Australia. DEET subsequently advised the Commission that the Commonwealth Government has agreed to this and that DEET, DILGEA and the Department of Foreign Affairs and Trade are cooperating to implement the decision.

Work rights for dependants

Several participants said that the reduction in the availability of work rights to dependants had caused problems.

Some said there was a deterrent effect on postgraduate students, who wanted the right for their spouse to work, making Australia less attractive as a place to study. This was claimed to have an adverse effect on Australia's higher education and postgraduate study and research effort.

Again the problem appears to be related to the incentive which unlimited work rights provides to non-genuine applicants, that is, to people who enrol in a course about which they have little real interest with the primary intention of getting themselves and their spouses into the Australian labour market.

In general, it may safely be presumed that postgraduate students are, in the main, genuine applicants. The impact of work rights on the labour market and the economy as a whole does not appear to be significant enough to support an argument to restrict work rights for dependants. Moreover, the numbers of people affected is likely to be small.

This is in part a question about the family income of applicants. In the case of postgraduates offered scholarships by universities, there is scope for the institutions concerned to vary the level of the scholarship payment to attract the right candidate. Equally, for postgraduate students, the institutions are able to set and vary fees, or to offer more scholarships, and thereby circumvent this problem. The Commission does not have enough information to change current arrangements for students entering under category B visas.

In response to the Commission's recommendation in the draft report on work rights for dependants of category A visa students, the New South Wales Government said:

While this is a draw card to attract students to the Australian training market, the NSW Government has some concern about its possible effect on the present labour market. With high levels of unemployment, any increase in labour supply could be detrimental, especially if concentrated in particular geographic markets. The Government would advocate that the total number of temporary working visas not change, by way of compensating reductions in other categories of temporary working visas for any increase in visas awarded spouses and dependants of overseas students (Submission No. 189, p. 5).

Griffith University said:

This recommendation is partly supported. The University proposes that current arrangements be retained for the spouse and dependants of Category A undergraduate students but that full work rights be granted to the spouse and dependants of postgraduate students (Submission No. 199, p. 4).

The Computer Training Institute said:

The recommendation that category A dependants may work unrestricted is unfair and discriminatory to category B visa holders. Such a situation will further erode the position of private providers (Submission No. 143, p. 2).

DILGEA said:

DILGEA has recommended to the Minister the removal of work restrictions on family unit members of those postgraduate students studying for master or doctorate degrees on the grounds that this is a major deterrent to study and research in Australia for this (small) group. As this restriction was introduced as part of the Cabinet decision on the new student regime, DILGEA sought the views of DEET and [the Department of Foreign Affairs and Trade] (two other major participants in the IDC). These agencies have agreed to its removal which will require an amendment to the Migration Regulations (Submission No. 183, p. 7).

This change is somewhat more restrictive than that proposed by the Commission. DEET said that it had no problems with dependants of category A visa students having work rights and that no significant educational or labour market concerns arise from the proposal.

The Commission recommends that spouses and dependants of students entering Australia under category A visas be permitted to work full time.

6.5 Conclusions

Work rights make Australia a more attractive place for genuine students to seek to study, particularly as they appear to be more generous than in many competitor countries. However it is also likely that the availability of work rights helps to attract those who have no intention of adhering to the 20 hour a week limit, or who are likely to overstay.

They may also make it easier for non-genuine applicants to obtain entry to Australia. Assessment of applicants' ability to support themselves is influenced by any claim they are able to make about having a job lined up by, for example, a relative or friend.

From the viewpoint of the integrity of the immigration program, there are three sources of difficulty associated with some students who enter the labour market. First, there are those who come to Australia as students, but intend to find jobs and not study. Second, there are those who are genuine about studying, but deliberately overstay to work. Third, there are those who study and go home on time, but work more than 20 hour a week.

As noted, the first two groups are reflected in the overstay statistics. DILGEA are targeting the high risk overstay categories, and rejection rates of visa applications from high risk countries are very high, notwithstanding that the PVA and visa application fees are non-refundable. We know little about the third group. Work rights are clearly exceeded, but it is difficult to know how extensive or important this is.

In chapter 5 the Commission recommended the removal of the requirement that course fees be paid in advance, suggesting that this be left to individual students and institutions to sort out. The primary reason was that this requirement had many disadvantages for the export of education services, one of which was that students were made vulnerable to the financial fortunes of the institution they attended.

However, adoption of this proposal may make harder the testing of the bona fides of applicants for student visas. If there is judged to be a need for further action to establish bona fides, limiting the attraction of working is an option that has been suggested.

One approach might be to remove work rights for all overseas students.

However, removing work rights from students in formal courses (or to holders of category A visas) would seem counter-productive. Those who meet the enrolment standards for entrance to university are likely to be bona fide and serious about studying. High tuition fees for formal courses also tend to reduce the numbers of students simply enrolling in formal courses but intending to come and work. Yet the work they do appears not to reduce the welfare of Australia.

From anecdotal evidence and statistics on overstay, most of the overstay/non-compliance appears to be centred on the non-formal sector. If this is the case, an alternative to removing work rights altogether would be to withdraw work rights for students enrolled in short non-formal courses only. Removal of all work rights should make it easier to apply bona fide tests which excludes some non-genuine applicants; on the other hand, it would disadvantage genuine students, and reduce export revenue. Given the marketing advantage which work rights provide for Australian institutions, Australia would suffer in competing with other countries for overseas students. Moreover, legitimate work does not seem to be to Australia's disadvantage.

Another option is to vary the current 20 hour limit.

Most who expressed a view on work rights for students considered that the current level provides a good balance between the needs of the student and the demands of study.

A problem in examining this issue is uncertainty about the extent to which any level of work right entitlement, including none, is in fact able to be policed. The evidence suggests that this is very difficult in practice.

Nevertheless, while some exceed their entitlements, it is not clear that this is, or could be, true for most. Course demands, shortages of jobs, and, probably, a genuine desire to adhere to visa requirements, are likely to be major factors.

An assessment of the evidence from other studies appears to suggest that working by students is not itself detrimental to the welfare of Australians overall. It seems unlikely that extending permitted work hours would create net disadvantages. However, if students worked full time they would effectively be guest workers. While a general guest worker scheme could conceivably be advantageous, it is a policy which needs a great deal more analysis, especially in view of the supply of workers entering through Australia's immigration programme. Provisions for temporary student immigration should not be turned into a surrogate guest worker scheme.

The 20 hours per week allowance strikes a reasonable balance between the needs of the student and any incentives that work rights provide to non-genuine applicants to come to Australia, or to students currently here to overstay. The Commission has recommended that students attending very short-term courses not be accorded work rights. No other changes to work rights for students are recommended although the Commission has recommended changes to work rights for some dependants.

7 REGULATION, CONSUMER PROTECTION AND COMPETITION

Some government regulation (such as that requiring the payment of course fees in advance) has disadvantaged students, making them more vulnerable to exploitation. Other forms of regulation, such as accreditation and registration of institutions, are intended to protect students by ensuring the quality of courses, the safety of their investment and, by monitoring, the financial viability of the institutions they attend. Such objectives are difficult to satisfy. And it is not costless, as governments, institutions and students are finding out. A preferred approach is to provide institutions with more incentive to give students what they demand, to give students the incentive to seek this out, and to make sure that students are better informed about their options and legal rights.

7.1 Introduction

Increased attention to regulation of institutions providing courses to overseas students stemmed largely from problems in the industry, which saw the collapse of some ELICOS and other non-formal course providers in 1989 and 1990, and their subsequent inability to provide education services or refunds to students. Institutions blamed sudden changes in visa rules, which reduced enrolments and required refunds to be made, leaving them financially weakened. However, there has also been evidence of unethical or seemingly fraudulent behaviour by some institutions.

Students have been caught in the wake of these problems, losing prepaid monies and having their studies disrupted. These problems have led to calls for increased regulation of educational institutions involved in providing education to overseas students. In addition, the Commonwealth Government initially budgeted \$50 million for these purposes.

To some extent these concerns are reflected in current or proposed registration and accreditation requirements at both Commonwealth and State levels. They have two sets of objectives. The first concerns the financial stability of the providers and the protection of students' funds. The second seeks to regulate the quality of the education service provided by setting minimum standards.

While some requirements apply to all providers of education services to overseas students, the primary focus of these measures is on non-formal course providers in the private sector. In general, other providers are either explicitly exempted or subject to less rigorous requirements.

Some of the key questions for this inquiry are how well those mechanisms work, and the related question of the extent to which governments should be involved in trying to protect students' funds, monitor the financial stability of providers and control course quality.

Registration of institutions and courses

If an institution seeks to provide education services to overseas students, the institution and the course must be registered at the Commonwealth level with DEET. Immigration authorities will only issue visas to students applying to enrol in courses registered with DEET.

The Commonwealth's Education Services Act provides a formal basis for the registration by DEET of institutions and courses for overseas students. It also provides legislative authority for deregistration where institutions do not meet specified requirements. The Act establishes a *Commonwealth Register of Institutions and Courses for Overseas Students* covering all formal and non-formal courses.

The Education Services Act seems primarily concerned with financial safeguards for students' funds. Institutions are required to hold students' fees in separate accounts (called 'special accounts' in the Act), and to draw down those fees only in accordance with conditions specified in the Act. The institution is required to maintain (unspecified) arrangements which will ensure that at all times monies which are held in special accounts on behalf of students can be repaid, and to report details of special account transactions to DEET each financial year.

In the main, the Act is aimed at private sector providers which are dependent on overseas students. Universities, TAFE colleges and private secondary schools will be exempted from its provisions by regulation. Under current arrangements the Act will cease to have effect on 1 January 1994.

Registration is now largely a State/Territory matter

Institutions offering courses to overseas students must first be registered by a State or Territory government before being placed on the DEET register.

Until 1990, registration was supervised by DEET, which required institutions to have regard to a Code of Conduct for institutions involved in the export of education. This was produced by the Australian Education Council, and was largely intended to apply to providers from the formal sector. Exporters in both the formal and non-formal sectors which did not meet the obligations of the Code could have had their approval to offer courses to overseas students withdrawn.

However, registration of all institutions providing courses to overseas students is now a matter for State and Territory governments. The Commonwealth's role is limited to maintaining a central register which it updates on advice from those governments. This transfer of responsibility took effect from January 1990. Each State/Territory is developing its own rules as to what it requires before it will register institutions to provide courses to overseas students. In some States, specific legislation is in place or planned.

Since the States are involved in the accreditation of schools, TAFE colleges, and to some extent universities, it seems reasonable that they should have the responsibility for accreditation and registration procedures. However, problems can arise where requirements and procedures differ from State to State. The principles underlying mutual recognition discussions at present underway between the Commonwealth and States may mitigate these difficulties.

State/Territory requirements for registration

Registration requirements vary among the States and Territories. Generally some form of accreditation is a prerequisite for registration. Broadly, accreditation is a process by which courses are assessed against quality standards. Formal courses, whether for domestic or overseas students, have long been subject to peer accreditation processes. For non-formal courses offered to overseas students, accreditation may be carried out by State/Territory authorities. Alternatively, it may take the form of 'recognition' or acceptance by the authorities of processes overseen by an industry association. In such cases, the State authority is effectively approving or endorsing industry association processes.

Accreditation is an attempt to engender minimum standards of service. In some cases this includes some checks or assurances about the financial viability of the provider. In other cases financial checks are done by State/Territory authorities on completion of accreditation processes but prior to registration.

In some cases, accreditation is carried out by, or under the auspices of, State/Territory government authorities. In the case of ELICOS courses, for example, the industry and the Commonwealth, State and Territory governments have agreed that ELICOS institutions can be accredited by a joint industry-government body, although in some States institutions may elect to be accredited by government authorities.

On the other hand, it is not and has never been either a requirement or the practice to accredit all non-formal courses offered only to the Australian market, including many English language training courses.

The registration/accreditation process is intended to serve a number of different functions. It aims at providing a minimum standard of entry to the industry, by specifying that basic requirements in terms of inputs to the education process are met (for example, classroom size and facilities and the use of qualified staff), and thereby acting to discourage the growth of poorer quality institutions. It is viewed as providing a 'seal of approval' by government which will protect Australia's reputation as an exporter of education in overseas markets and give prospective students confidence to enrol at Australian institutions. It is further seen as a way of reducing the costs of information to foreign students about individual institutions.

The process is also seen by some as providing a guarantee of financial stability which will prevent financial failure of education institutions which was said to damage Australia's reputation in international markets and inhibit the enrolment of students. It is also used as an arm of immigration control, since visas can only be issued to those students enrolled at registered institutions and attendance checking is used to monitor visa compliance.

This chapter looks at arrangements for registration and accreditation of providers of courses to overseas students. Rules covering the ELICOS industry are considered in some detail, as this has been the focus of much of the recent attention. However, the situation in other sectors is also noted.

7.2 How is accreditation undertaken?

Formal courses

For formal courses, the process by which they are accredited by an academic board or State authority prior to being offered to domestic students is sufficient to have the course also registered to enrol overseas students.

Formal courses can be accredited in three ways. First, university level courses are accredited by the academic board of the institution, sometimes in consultation with professional organisations, for example, the Australian Medical Association for degrees in medicine. The professional organisations also monitor the courses to ensure that they maintain the required standard. Second, TAFE level courses are accredited on a State level by the relevant government organisation or authority, for example, the Victorian State Training Board. Third, formal courses offered by private institutions are accredited by the States but a trend exists for accreditation to be carried out by relevant external organisations as part of this process.

English language courses

The ELICOS industry has been the main focus of efforts by Commonwealth, State and Territory governments to regulate more closely institutions offering courses to overseas students.

Background

By August 1988 DEET had developed an accreditation process for the providers of ELICOS courses based primarily on the Australian Education Council guidelines and consultation with the industry. Until January 1990:

... institutions wishing to establish ELICOS centres made application for registration to [DEET]. DEET carried out the combined functions of accreditation and registration (Submission No. 92, p. 2).

In January 1990, when registration became the responsibility of State and Territory governments, the accreditation function was separated out and formally or substantially given to the National ELICOS Accreditation Scheme (NEAS). NEAS is an organisation established by the ELICOS Association in conjunction with Federal, State and Territory governments.¹ It undertakes accreditation based on guidelines already developed by DEET and the industry.

The NEAS has been adopted in all States and Territories (except Victoria and Tasmania)² as the sole method of accrediting ELICOS institutions and the courses they provide. Formal and non-formal institutions wishing to provide ELICOS or special studies courses are required to undergo the same accreditation process. However, institutions which provide courses to non-student visitors (who are entitled to undertake English language training as an incidental part of their visit) do not need to be accredited, although they are encouraged to seek accreditation under the NEAS.

The NEAS said that:

The imprimatur of a credible, thorough and rigorous accreditation process must be a drawcard for bona fide overseas students truly interested in educational quality. More important are the advantages for the reputation abroad of Australian education if the accreditation process is mandatory (Submission No. 92, p. 12).

NEAS added that its role has come to be seen more broadly:

... as a means whereby the ELICOS sector itself could set and maintain high standards of educational practice, thereby going some way towards undoing the damage that had been done to [Australia's] reputation ... (Submission No. 92, p. 4).

Requirements for accreditation

There are three types of accreditation - provisional (for the first 12 months), full and reaccreditation every three years. The reaccreditation process is one aspect of accreditation being reviewed. One option being considered is to place greater emphasis on monitoring of institutions and less on formal applications for reaccreditation.

¹ Membership of the ELICOS Association is separate from accreditation. Institutions may decide to join the Association, and around two thirds of accredited providers are members.

² Victoria also allows accreditation through its State Training Board. In Tasmania the government maintains the accreditation function.

Applicants for accreditation under the NEAS are assessed on the basis of its guidelines on management, financial planning, premises, staffing, student assessment procedures, student organisation and welfare, fees, courses and teaching resources and marketing. Provisional accreditation costs \$4 000, while full accreditation costs \$3 500.

Financial planning must set out availability of funds for the operation of the provider for the first six months after the commencement of classes, independent of income from student tuition fees. A forward plan for the first three years of operation must also be provided. Existing privately funded institutions must provide an audited statement of income and expenditure for the most recent financial year plus their financial plan. Existing publicly funded institutions must provide a forecast of anticipated income and costs for three years which has been approved by senior management.

The NEAS specifies staffing requirements and teachers' minimum qualifications. A person can be qualified to teach at an ELICOS centre under the NEAS in a variety of ways, one of which involves holding a degree or diploma plus a recognised certificate course of at least 100 hours in TESOL (the Teaching of English to Speakers of Other Languages). NEAS said that there is no agreed standard as yet for TESOL teachers. It is currently reviewing the question of qualifications for teachers in the sector. Other staff must include a counsellor and a part-time accommodation officer. Attendance records must be kept. Students with excessive absences (more than 10 per cent) must be reported to the State office of DEET for the purpose of monitoring compliance with visa requirements. The provider must supply a certificate of record of attendance to each student at the end of a course which is required if the student wishes to undertake further study in Australia. Responsibility lies with the provider to supply information on health insurance and an orientation program must be given.

All courses must be fully described in its submission to NEAS. Specifications for contact hours, breaks, etc are set down. A full-time ELICOS program must include a minimum of 25 hours professionally supervised instruction of which at least 20 hours must be face-to-face classroom teaching between the hours of 8.00am and 8.30pm, Monday to Friday. Lists of resources must be provided such as books, library facilities (at a minimum cost of \$2 000 plus \$100 for each student), video and audio equipment and duplicating facilities.

Promotional material, at least in draft form, must be presented before an inspection will take place. This material must include a statement of refund policy which is determined by each institution.

The accreditation process is carried out by the Accreditation Advisory Committee, formed by the NEAS, and usually takes about 12 weeks, although the Milton Language Centre stated that its accreditation had taken over a year (Submission No. 7, pp. 3-5). Milner International College of English said:

The accreditation procedure, as administered by DEET, and now the NEAS, is crushingly bureaucratic. It needs drastic revision to eliminate useless paperwork (Submission No. 6, p. 2).

The decision on accreditation is made by the Accreditation Advisory Committee of NEAS on the basis of the applicant's written submission, an inspection and report from the ELICOS inspection panel appointed by NEAS and an independent assessment of financial viability. If there are some compliance problems, the applicant may be allowed time to rectify any problems. Appeals against decisions are made to the National ELICOS Accreditation Committee, which is the policymaking and appeals body of the NEAS.

NEAS pointed to the need for deregistration sanctions:

Withdrawal of NEAS accreditation does not of itself mean withdrawal of registration, since the NEAS has no legal powers of enforcement. This action can only be effective in removing substandard providers from the field if state/territory governments accept the recommendation of the NEAS to suspend or withdraw registration (Submission No. 92, p. 9).

The Commonwealth's Education Services Act and State and Territory counterpart legislation provides legal backing for the removal of institutions from their registers. An unregistered institution is unable validly to offer courses to overseas student visa holders under its provisions.

Other non-formal (or special studies) courses

Again, accreditation procedures vary between States. For example, in South Australia, institutions offering courses to overseas students must agree to meet the State Code of Practice which includes the Australian Education Council's Code of Conduct and covers marketing, information provision, recruitment and education standards, among other things. Where formal accreditation is required, assessments of institutions are normally carried out by independent assessors appointed by the Office of Tertiary Education. Where an institution has been accredited by an appropriate industry body, that may suffice.

In Victoria, institutions can choose to be accredited through an industry body, where one exists and has an appropriate accreditation process, and meet additional requirements such as agreeing to the Australian Education Council's Code of Conduct and protection of student funds through a range of measures. Alternatively, the accreditation process can be conducted through the State Training Board. The process is similar to that carried out under the NEAS.

7.3 How effective are registration/accreditation requirements?

When an institution fails or provides poor quality courses there may be a cost to the industry through the effect of the failure on the perceptions of potential students overseas, which can reduce demand for Australian education services. The extent of any such costs will depend on the degree to which overseas students lack the information (or the skills to assess properly any information) to differentiate between providers.

To limit the possibility of these costs arising, the various Commonwealth and State regulatory mechanisms aim to control quality of provision, to maintain the viability of providers and to protect students' funds. Further, abuse of student visa requirements can lead some institutions to act as back-door immigration centres. The Education Services Act provides for deregistration of a provider if it does not meet specified requirements. The objective is for registration procedures to act as a disincentive to the establishment of an institution specifically to abuse the student visa system.

Participants' views

In their initial submissions participants advanced conflicting views about whether there should be an accreditation and registration process, who should undertake this, and how extensive those processes should be. For example, Edlink Pty Ltd, which represents Australian institutions abroad, said:

Accreditation of individual programs marketed by private institutions is necessary to protect the uninformed and unsuspecting public overseas and the reputation of Australian education (Submission No. 19, p. 1).

Several other submissions made this point. For example, Austrade said:

The accreditation of Australian institutions and courses is undoubtedly an important factor in many students' decisions to undertake studies in Australia ... While accreditation provides no guarantee of quality, the system is seen in many markets as a favourable aspect of Australia's overseas student program ... (Submission No. 103, p. 13).

The Melbourne Council for Overseas Students said that accreditation:

... will ensure uniform minimum standards of educational quality and support services for overseas students at accredited educational institutions. Accreditation is a significant factor in attracting overseas students to particular institutions and the standardisation of accreditation on a national basis would ensure that overseas students would be guaranteed similar standards of education and support services regardless of the State they choose to study in (Submission No. 59, p. 9).

Eltham College, an independent primary/secondary school, argued for stricter accreditation of institutions:

Australia's reputation has been tarnished by the dubious educational standard and financial mismanagement of some ELICOS courses and institutions (Submission No. 83, p. 4).

The Sydney Committee for Overseas Students called for an independent body to carry out accreditation:

... self regulation is a failure because the regulators lack the objectivity to examine the bona fides of a person wishing to enter the industry, and appear to be reluctant or unwilling to monitor effectively those that have been accredited (Submission No. 9, pp. 2-3).

On the other hand, the National Centre for English Language Training and Research, part of Macquarie University, questioned the necessity for a complex accreditation/registration process where the provider already has a proven record in formal education. A similar point was made by the TAFE Queensland, which argued that:

Different rules should apply to government and private sectors as government providers already have built in safeguards, for example, indemnity (Submission No. 8, p. 13).

The University of Melbourne said that it:

... has no confidence in and rejects the present arrangements for ELICOS accreditation. The cumbersome and onerous requirements for the accreditation of an ELICOS program in a university are not only expensive and time consuming; they are an intrusion on the academic integrity of the institution. Procedures suitable for screening the capabilities of a small private company are not appropriate for a major university. It is now clear that the attempt at self regulation by the private sector has failed (Submission No. 23, p. 7).

Australian Planning and Training Associates said:

... overseas students are rightly concerned about the bona fides of an institution and this concern should not be overlooked. Sufficient "ports", however, do exist for checking the institutions' credibility, the tenability of its awards in overseas situations and the relative merit accorded to its graduates in Australia. The most valuable of these "ports" is the word-of-mouth network of previous students who attended the institution in question. It should not be overlooked that overseas students are, for the most part, astute purchasers of education. [In] Asia higher education is regarded as a valued opportunity which should be carefully selected and used (Submission No. 57, pp. 7-8).

The Commission elicited a similar range of views with its proposal in the draft report that governments not be involved in accreditation and that accreditation not be compulsory.

La Trobe University agreed that the current system has problems but went on to say:

Given the collapse of a number of private colleges we strongly believe that greater regulatory and accreditation powers should devolve upon the Federal Government which would have the dual purpose of lending greater authority to regulations and accreditation, and would thereby also protect unknowing overseas students from exploitation (Submission No. 176, p. 2).

The Overseas Students, Graduates and Nurses Association of Australia stated:

... the Commission's proposal to end Government involvement in the accreditation process will be sending the wrong signals to "the market". Current accreditation processes are completely inadequate, lacking national uniform standards. Further, current standards are not being enforced. Overseas students are not impressed to hear that accreditation processes and Codes of Conduct vary between States. The setting up of a non-accredited sector will compound the above problems and place a cloud on the whole educational sector (Submission No. 176, p. 2).

DEET opposed the draft recommendations, arguing that:

... it is most unlikely that the State/Territories would now agree to dismantle this national agreement particularly given moves towards a nationally consistent framework for accreditation of courses and registration of providers currently being developed for all vocational education and training providers

adding that:

... the Commission seems to ignore the critical importance of perceived educational quality and of obvious quality assurance mechanisms in the international education community (Submission No. 158, p. 7).

The Department said that continued regulation was needed until:

the domestic ructions that have been caused by the recent restructuring ... particularly in the non-formal industry have settled down and once the reputation of Australia as a provider of quality education services has been reinstated (Transcript, 12 July 1991, p. 1 022).

Austrade also emphasised the importance of perceptions in overseas markets. It saw marketing value in being able to offer courses from institutions which had been through an officially sanctioned procedure:

While acknowledging the weight of many of the arguments in the Industry Commission's draft report concerning such matters as the costs of accreditation, the inhibitions which present systems may have on innovation and the incorrect perceptions which potential overseas students may acquire, Austrade's view is that a system of officially recognised minimum standards is a powerful marketing factor in selling education services to overseas clients (Submission No. 153, p. 2).

Several participants, while opposing the immediate removal of compulsory accreditation/registration provisions, suggested that this may be a more viable option in the future. The ELICOS Association said:

The EA cannot, at this time, support the IC recommendation that institution accreditation not be compulsory. The ELICOS sector, having experienced a very difficult couple of years, is at a critical point in its efforts to recover. The removal of mandatory prerequisite accreditation at this time would only add to the difficulties facing it.

We understand and appreciate the IC's proposal; and would be pleased to re-examine industry based accreditation after a stable period of sector growth (Submission No. 162, p. 17).

At the public hearings the ELICOS Association suggested that an appropriate time to reconsider this issue might be after the Education Services Act expires (1 January 1994).

The Australian Council for Private Education and Training (ACPET) said:

The concept of reducing the importance of registration of providers and accreditation of courses seems to be implicit in recommendation 5.

ACPET rigorously opposes this concept and predicts a major loss of credibility for the whole industry if it was pursued.

Having laboured for four years to arrive at systems and guidelines (legislation even), it would be a blunder to abandon or reduce the utilisation of the registration and accreditation systems which are now coming into effect.

The registration and accreditation system which leads to the listing of authentic providers as the only institutions entitled to issue Acceptance Advices gives Immigration officers the assurance they need that the visa applicant is registered with a legitimate provider (Submission No. 145, p. 5).

At the public hearings ACPET suggested that:

... we would reach the time, hopefully within a couple of years, where specific institutions have the right to accredit their own courses. That applies now to government institutions. There is no reason why it should not apply to substantial private institutions (Transcript, p. 468).

At the public hearings WAPETIA said that it would prefer a period of four years before compulsory accreditation was removed. This would give the industry:

... the settling opportunities and allow it to establish its reputation in the world markets. In saying that, we do not deny that there are some advantages within the draft recommendations ... (Transcript, p. 512).

The points raised by these participants are discussed below.

A number of participants, however, supported the draft report proposal. Holmes Colleges said:

We support the idea of abolishing the costly practice of Government accreditation as a compulsory entry requirement to the Industry. This would allow reputable industry accrediting bodies to take on a profile which is market driven. It would also allow industry bodies to market generically as quality controllers. This is common practice in the domestic training sector at the moment.

The current practice whereby all providers receive identical accreditation as a pre-requisite to market entry does not encourage differentiation and diversity within the market (Submission No. 138, p. 3).

The Asia Research Centre of Murdoch University said:

Ultimately, it clearly depends on whether the regulating authorities and instruments are effective and their costs cheaper when compared with the implications and costs of not regulating. The arguments raised are reasonably compelling, especially when compared with the likely costs, restrictions, and probably, relative failure of attempts to regulate the private sector. After all, businesses will still be

badly managed and fail and it will be hard to head this off. The experience of Government in attempting to regulate commercial enterprises has recently come under the spotlight. The end result may be that nothing much will change, except that the markets will interpret attempts at regulation, as the Government underwriting Australian institutions ... deregulation may be better than the present risk of falling between two stools (Submission No. 137, p. 7).

The Association of Independent Schools of Victoria concurred with the Commission's proposed recommendation and went on to state:

The redirection of bureaucracy's resources from accreditation and registration to immigration related issues such as attendance would lead to a more appropriate and constructive role for Government agencies (Submission No. 136, p. 5).

Another reason put forward for government control through legislation is based on the perceived need to maintain the financial viability of institutions. The Commonwealth Government initially provided \$50 million in part to refund students enrolled at failed ELICOS institutions or to students who have not otherwise been reimbursed for prepaid fees. A number of participants said that such failures can impact dramatically on the perception of Australia as a reliable provider of education services, reducing demand from potential students. For example, Taylor's Schools said:

Considerable damage has been caused to Australia's reputation by the failure of a number of private colleges (Submission No. 96, p. 4).

Current requirements may involve examination of the financial standing of an institution, including an examination of business plans, anticipated enrolments and earnings from fees and expected expenditure. The States vary in the extent to which this is undertaken.

The Commonwealth's Education Services Act requires institutions to establish and report the operations of special accounts set up to hold students funds, provide detailed regular reports on the operation of these accounts and provide protection of fees paid in advance. Providers are also required to maintain arrangements which will allow them to refund monies to students in the event that the student does not commence the course or withdraws from it before finishing. In this way, the registration process seeks to guarantee refunds to students if an institution fails or the student withdraws from the course.

The Commission's concerns

The Commission has considerable reservations as to whether the current industry regulation process will play a worthwhile role in the longer term development of the industry. There is significant doubt about whether it does, or indeed could, achieve a number of the objectives that many expect from it.

There can be no guarantee that any initially-approved standards will be maintained at times other than when an institution is being assessed for accreditation or reaccreditation. The move by NEAC to consider increasing monitoring and reducing the importance of reaccreditation indicates recognition of the problems inherent in the current accreditation process.

In support of this, Mr Brian Cooper said that some institutions were able to manipulate their way around accreditation procedures. His experience as a teacher and consultant in the computer education industry showed that some institutions would employ well-qualified staff to obtain accreditation but replaced them with lesser qualified personnel as soon as accreditation was achieved. Mr Cooper stated:

... a college will agree to almost any condition which may be attached to their accreditation, but once it has been granted there is a reluctance by some colleges to actually conform to the requirements of accreditation.

He further said that the lack of any action to remove accreditation once it had been granted meant that there was no pressure to maintain course standards:

Simply stated there has been no private operator ... charged with an offence or ... lost accreditation, even though there have been complaints made about several colleges which could be substantiated if the political will existed to effectively follow-up the complaints (Submission No. 154, pp. 2-3).

Indeed, the Commission understands that some State governments have not withdrawn accreditation/registration from institutions which have failed accreditation requirements.

Existing accreditation procedures are based on the inputs to the education process, for example, class sizes and equipment levels. Close regulation of inputs to education (or, indeed, any other activity) is a poor surrogate measure of whether or not the institution will meet a particular standard of educational excellence.

An alternative might be to base accreditation on some form of output measure of the courses, for example, by testing the competence in English of graduates from ELICOS courses. This could give prospective students some confidence that accredited institutions had reached a certain level of achievement. The Commission explored the possibilities of using output measures with a number of participants at the draft report hearings but found little agreement on, or enthusiasm for, such measures.

However, irrespective of whether this is done, it is clear that there are significant difficulties with regulating inputs to achieve a desired outcome. Indeed, there is some evidence that initial requirements may have been over-prescriptive, and these are being reviewed by the NEAC.

One of the most important points is that these processes cannot guarantee the financial stability of institutions, as evidenced by recent failures. The accreditation process includes an examination of the financial situation of the institution, based in part on such factors as expected enrolments, earnings and expenditures. These are projections, and subject to error. Moreover, such assessments are undertaken at a particular point in time, and there are no guarantees that the situation will not change.

Bankruptcy is a risk for all businesses, and business failures generally have increased because of prevailing economic conditions. Education providers are not insulated from such factors. For example, even in highly regulated areas such as banking, business failures are not unknown.

Further, as far as the Commission is aware, no operating institutions have ever been deregistered on financial grounds, even when authorities had (or ought to have had) reasonable knowledge that several institutions were not financially viable. As it happens, several institutions have collapsed in the past two years.

While intended in part to protect Australia's reputation, registration and the related accreditation procedures are likely to be interpreted in overseas markets as a guarantee, provided by Australian governments, of course standards and financial viability. An illustration is provided by ELICOS institutions marketing themselves as being 'accredited by the Australian Government'. This interpretation will be reinforced by the action of the Government in paying out money to some students of collapsed institutions, which may act to raise expectations which cannot be met.

DEET and Austrade emphasised the importance of accreditation to improve perceptions in overseas markets about the quality of Australian education and the soundness of institutions. However, irrespective of concerns about perceptions, it remains the case that financial viability and course quality cannot be guaranteed. Indeed, the ELICOS Association survey showed that the vast majority of students perceived the quality of English courses to be higher in the United Kingdom and the United States, where there is no compulsory accreditation, than in Australia where compulsory accreditation has been in place for some years.

Moreover, failure of an accredited institution might cast real doubt on the accreditation process and have repercussions for other Australian institutions. There are clear dangers in relying on governmental accreditation to generate a positive image of Australian institutions in overseas markets. Greater efforts on the part of individual institutions to cultivate the overseas student market for their own services may be more effective than relying on the fact that the institution has been accredited.

A major concern of the Education Services Act is to protect consumers who might be affected by the closure of a business. The Act contains guidelines for the protection of student fees paid in advance through the maintenance of special accounts intended to hold students' fees in trust. If an overseas student decides to withdraw from a course then any unused portion of the fee not specified as non-refundable must be returned. In contrast, full fee paying domestic students are not so protected. Indeed, higher education students become liable under the Higher Education Contribution Scheme (HECS) if they continue a course past about the first four weeks. This leads to a degree of inequity in requiring refunds for overseas students regardless of when they withdraw from their courses, whereas domestic students have no such right.

Notwithstanding the Commonwealth's regulation of the financial affairs of institutions, it does not hold out any guarantee of the security of international students' funds.

The Commission notes that the requirement that full fees be paid in advance as a visa condition is being reviewed (see chapter 5).

Accreditation and registration are costly procedures

The process of government-required accreditation prior to registration adds significantly to the financial cost of providing courses for overseas students. This could adversely affect the financial viability of some marginally profitable institutions. There are also significant time costs imposed on the institution. The application process requires the preparation of a detailed submission which one institution claimed could take up to 12 months to complete. At the time of application facilities should be ready for inspection. Given that accreditation takes at least 12 weeks, institutions must bear the cost of these unused resources.

The Milton Language Centre said that its accreditation took over a year and was costly in terms of income foregone. The Principal of the Centre stated:

Unnecessary stresses and strains have been placed on all of us as a result of what would appear to be a deliberate policy of testing whether we had the financial stamina to survive the accreditation time frame, the guessing game, the mazes and the additional hoops (Submission No. 7, p. 1).

In addition there is a further procedure by which an accredited institution obtains registration by its State or Territory government. Charges, which vary between States and Territories, also have the characteristics of a tax rather than of a fee for service.

The wider use of short-term courses and tailor-made courses will make the process of accreditation more difficult and more urgent.

The current system requires up to four levels of scrutiny during the accreditation/registration process: by the institution's governing body (in the case of universities, for example); by the NEAC or relevant industry body; by the relevant State or Territory government; and by the Federal Government. It is unnecessarily complex and confusing.

Further, the procedures are not consistent between the States and those institutions offering the same course in several States can find that they are required make changes to reflect the various requirements. The Computer Power Training Institute said:

... one of our largest problems in this area is that as a national organisation with seven different sites around Australia we have a state by state registration and state by state accreditation process to go through and for the sake of consistency and uniformity we have named all our courses the same.

We run into a problem where, for example, Queensland do not like our names. Therefore we cannot market our courses as the same name around South-East Asia because one is a certificate in programming and they want a certificate of programming, for example. Some of the minor issues become major bugbears for an organisation our size where we have now relegated to a State level the accreditation and registration process (Transcript, p. 240).

Monash University complained that the existing accreditation procedures require that it seek reaccreditation for courses which are already accredited for teaching to domestic students, if it is intended to enrol full fee paying overseas students.

Apart from accreditation and registration fees, and the time costs involved, compulsory accreditation can lead to a lack of flexibility. The ultimate test of the quality of courses is not some test of the standard of its inputs but rather whether the students consider that they have received value for money. Regulation will tend to inhibit the introduction of lower cost courses and deters technological experimentation.

Consider the number of contact hours required. Some participants argued that the requirement of a minimum of 25 contact hours a week is excessively rigid. Other participants said that prohibitions on teaching on weekends led to underuse of capital resources. Many students would prefer to alter the mix of formal contact hours to allow for experience within the community or personal tutoring. The requirements act to restrict institutions in the way they can tailor their courses to match the demands of potential students.

The Edwards Group of Colleges said:

There has been a tendency for the accreditation process to force all providers and their courses into the same mould. The export of education demands some variety and uniqueness amongst the programmes offered by providers and this is being gradually undermined by the accreditation process. Any other export industry lives or dies on the basis of competitive need - the education industry needs some of the same freedoms (Submission No. 52, p. 2).

A constant danger with regulation is that those within the industry will attempt to restrict the number of entrants in order to maximise their own returns. This may occur through the power that providers acquire in the accreditation process, either through direct representation on the Accreditation Advisory Committee or through the capturing of government interests.

There is little evidence that this has occurred so far. With or without such motives, however, accreditation can work to restrict the number of providers. Although few institutions have had their applications rejected or accreditation withdrawn, notwithstanding a number of failures, the complexity and cost of the accreditation process (including costs of uncertainty and successful accreditation) may keep potential entrants out of the industry.

The costs incurred in accreditation which affect the institutions (and therefore students) and the community as a whole must be taken into account in any evaluation of the worth of accreditation schemes. There are financial costs, time costs and restrictions on what providers can and cannot do.

The evidence suggests that these costs can be very high. There is a very wide spectrum of institutions in Australia, from long-established providers such as universities with reputations to protect, to some small operators which might not be genuine about providing educational services (and indeed may be operating as illegal immigration agents). There is little or no discrimination in the extent of accreditation requirements between these different types of institutions.

As noted above, the criteria for accreditation are based on an assessment of inputs to the education institution such as classroom size, teacher training and library expenditure. While these may provide some assurance that the institution exists and has some basic equipment, these requirements reduce the choice available to overseas students through their effects on the number of providers, the level of innovation and the reduced incentive to offer higher quality courses. The setting of standards may restrict the development of new courses or new approaches, or act as a disincentive for providing services of a higher quality.

There are also costs for students who accept the Government's stamp of approval or quasi guarantee, only to find that that was not sufficient to protect the student from indifferent quality of outcome or from loss of funds.

The overseas experience

There is no compulsory accreditation process for private institutions in either Britain or the United States. These two countries are said to be the major providers of English language courses and the main competitors with Australia.

In Britain there are a number of voluntary accrediting bodies for private educational institutions. For example, English language schools can apply to the British Council to be included in its Recognition Scheme after they have demonstrated that they can operate with financial stability for a period of two years. Once recognised by the British Council, English language institutions may also join ARELS-FELCO, the professional/trade association for English language schools. Of the 700 to 1 000 private colleges which teach English as a foreign language in Britain, 248 schools were registered with the British Council in September 1990.

Similarly, in the United States accreditation is an entirely voluntary process undertaken by private, non-government agencies or professional associations (see Bear 1988). These bodies decide upon the criteria for accreditation, arrange inspections of institutions and evaluation of their programs and publicly designate those which meet their standards. There are regional and national accrediting bodies, and government and private bodies, such as the Council on Postsecondary Accreditation, which have responsibility for accrediting the accreditors.

Kreidler (1988) said that:

... the bulk of evaluation for United States post-secondary education is a self-regulatory process that uses peer professional and institutional pressure to meet generally accepted standards through self-assessment and periodic review for program improvement. The cornerstone of the self-regulatory system in the United States is voluntary accreditation (p. xv).

7.4 An alternative approach - allow an unaccredited sector

The Commission believes that it is possible to achieve better the objectives of accreditation and to reduce the costs to institutions without unduly compromising Australia's international reputation in the education field, while at the same time meeting legitimate immigration objectives.

The Commission recommends that, from 1 January 1994, governments not be involved in accreditation of courses for overseas students and that accreditation not be compulsory. Non-accredited institutions on the immigration register should be permitted to seek to enrol overseas students.

The Commission recognises that the Education Services Act requires that registration and accreditation continue until the Act ceases to have effect at the end of 1993. As noted earlier, a number of participants said that they would not oppose the removal of compulsory accreditation after a further period of compulsory accreditation which they felt would provide the opportunity for the industry to stabilise. The Commission considers that the operation of the Act for some two and a half years should allow all members of the industry a reasonable period in which to decide whether or not to become involved in a system of voluntary accreditation.

Removing compulsory accreditation is intended to avoid, where possible, unnecessary administrative costs of accreditation and to allow accreditation standards to come under greater pressure from the market forces of student preferences which can be exerted through the unaccredited sector. Those institutions which consider their reputations to be secure without the need for accreditation could avoid the time and financial costs involved.

For good commercial reasons, accreditation would remain attractive to some institutions, notwithstanding the costs. There are advantages to some in having an external body certify that it has complied with accreditation standards. Accredited institutions may be even more attractive to some students if accreditation includes some fiduciary guarantees or trust fund arrangements. However, this possibility must stand the test of student demand, so the Commission has no recommendation to this effect.

Accreditation might indicate to intending students that the institution meets certain requirements as to course quality and fiduciary guarantees.

In contrast, it would be expected that some institutions would see no benefit in accreditation. These might include institutions who already have a good reputation overseas because of past performance and student satisfaction with their services. Some course providers in the formal sector might fall within this category; equally, there are long-established non-formal institutions with good reputations among overseas students.

Equally, a group of providers might wish to have an accreditation process which is qualitatively or quantitatively different (that is, more or less stringent) to that used by a competitor group.

ELICOS providers within public universities, which seem not at risk from collapse and which have strong internal incentives to produce quality courses, may be better off without incurring the costs associated with accreditation for overseas students. However, other formal and non-formal institutions also have the incentive to develop reputations in Australia and overseas for quality of courses and other services to students. In this process, they can make their own judgments as to whether or not the advantages to them of one of several possible accreditation options justify the costs.

Some who would be likely to see no benefit in accreditation are providers of innovative and economical courses which might not satisfy current standards. And, of course, those advertising and operating sham courses and thereby effectively offering not education but a ticket to work would also seek to avoid accreditation.

The Commission's recommendation would not make it any easier or more difficult for students to enter Australia - they must continue to satisfy normal immigration procedures. The main difference is that the link which now exists between accreditation and visa issue is broken and is replaced with the immigration registration processes advocated in chapter 5. There is little justification for the use of accreditation procedures as de facto immigration rules. Difficulties with immigration should more properly be addressed in the immigration process itself.

Even if the situation were to arise in which there were no institutions in the unaccredited sector, pressure would be put on the voluntary accreditation process by those unhappy with accreditation standards threatening to withdraw. This should ensure that accreditation process itself is done economically, while standards for such things as refunds should be set in a way that involves a sensible trade-off between cost to institutions and value to customers.

In the unlikely event that no institutions at all decide to be accredited under voluntary systems, students are still likely to be better off than under the present system. The knowledge that no institution claims any benefits from being accredited should place students on their guard as consumers. This should be a preferable situation to the prior or proposed systems of compulsory accreditation which engender a false security as to the benefits student might expect from accredited institutions.

Removing accreditation/registration processes does not imply that there is no concern about fraudulent activities; indeed, the Commission believes that such processes are not adequate to prevent fraud. The Commission has been informed that allegedly fraudulent behaviour has been observed notwithstanding the regulations already applied to the industry by Australian governments. There is evidence that the Commonwealth Government is alerting the newly-formed Australian Securities Commission to instances where education institutions have been involved in apparent breaches of law.

Finally, there is the question of governments seeking to develop mechanisms which are more protective of overseas students than domestic students. Overseas students have the ability to seek redress in Australian courts or tribunals. They may take action through, for example, the Trade Practices Commission, the various small claims courts of the States, or the ordinary court system. In the case of some decisions made by Commonwealth Ministers, Commonwealth Statutory Authorities, Commonwealth officials and other Commonwealth Tribunals, they may also take action through the Administrative Appeals Tribunal.

Overseas students may suffer disadvantages in terms of language, knowledge and financial constraints, but these may be moderated by providing them with the relevant information before they depart for Australia. (This is discussed in more detail below.) The Victorian Government, however, suggested that overseas students would continue to be disadvantaged. It said:

... the difficulties overseas students would face in seeking redress in Australian courts and tribunals are not significantly different from those faced by Australian students. However, overseas students have a unique disadvantage: by the time their case comes to trial, their visa may have expired and they may face cost and inconvenience of returning to Australia to give evidence over what may be an extended period of time. Providers are also able to recognise this. The Victorian Government's experience with overseas students' recourse to the Australian legal systems for education services suggests it is too slow, too expensive and unlikely to provide adequate redress for the aggrieved student. Accordingly, the information to prospective students would have to state that no effective legal recourse was likely to be available to overseas students in Australia (Submission No. 190, p. 5).

The Commission acknowledges that students overseas have less adequate access to remedies in Australian courts than if they were in Australia. However, a claimant's presence in Australia is not always required to obtain the remedies available to international students.

Intending students should be informed

A necessary concomitant of the Commission's proposals would be to ensure that intending students are well informed when they are contemplating enrolment about the nature of accreditation as recommended here, so that they may be able to reach a proper judgment as to the weight they should place on accreditation in choosing an institution.

In this process, it is important that students also be made aware that accreditation does not provide any guarantees as to course quality or financial stability, and in particular that Governments do not accept liability for the failure of any accredited institution. Their attention should be drawn to the variety of accreditation arrangements in the Australian market.

Word-of-mouth, and activities of agents and AECs will remain important in ensuring that students are well-informed. However information on the meaning of accreditation should be provided in information guides prepared by DEET in conjunction with the relevant industry bodies and institutions and distributed to overseas applicants, including by DILGEA, in association with visa application forms. In this way, the student will be advised as to which courses are accredited and which are not, and given some details of the accreditation process and the relevant responsibilities of different levels of government. It is then a matter for the student to choose a course with the help of this information.

The Commission understands that this is broadly how students intending to study in Britain are informed. There is no governmental control over private colleges in Britain, but there are a number of private accrediting bodies operating. Accreditation is voluntary, and British Council information services provided to prospective overseas students clearly advise what those accrediting bodies do, and what accreditation means (and does not mean). The Council issues a pamphlet explaining what accreditation does and does not mean, together with a list of accrediting bodies for follow-up by the student. The student is then left to decide.

The principal benefits of a voluntary process are that it would permit competition amongst a wide range of course providers, continued development of alternative courses and course providers, and false signals may be avoided. Unaccredited courses would not be subject to the extensive governmental regulation which now applies. Institutions must offer courses which attract students and they must attract students who will be approved by immigration authorities.

The Commission recommends that, as soon as possible, DILGEA provide student visa applicants with explanatory material prepared by DEET, in conjunction with relevant bodies, which sets out the details of the accreditation process. This should include a description of what the presence or absence of accreditation or fiduciary arrangements means, and names and addresses of accrediting agencies and industry organisations. It should emphasise the need for care in choosing where to study. Information on students' rights under Australian consumer protection law should also be included. Similar material should be available for use by AECs, Australian diplomatic missions and overseas agents. Such information would continue to be provided after 1993 under a voluntary accreditation scheme.

7.5 The implications for students

The Commission's recommendation to remove the compulsion from accreditation procedures and break the nexus between accreditation and visa requirements could be seen as helping some institutions within the industry but doing little for the students themselves. However, there should be benefits to students as well as institutions from the removal of compulsory accreditation.

Non-accredited institutions from the students' perspective

Students taking courses in the unaccredited sector would do so with their eyes open. Those attending university ELICOS courses, for example, should be able to obtain courses more cheaply than now if these institutions choose to be unaccredited. Other courses will also be cheaper, although standards of inputs may not be uniform.

It may be argued that one failure in the unaccredited sector will ruin Australia's reputation and undo all the good done by compulsory accreditation (although a failure in the accredited sector would have a more deleterious effect). However, a key point in the Commission's proposal is that students would be informed before they come to Australia as to whether they are enrolling in the unaccredited sector or not and what this means. The final judgment as to what weight to place on the various accreditation regimes is up to the student, who would be well-informed as to the options available and to where further information might be obtained if desired. While information getting costs are obviously reduced if all institutions are accredited, it could be argued that the continued existence of accreditation for some institutions provides a clear channel for signalling standards to those unable or unwilling to assess institutions for themselves.

If, as was claimed by some participants, consumers of education are very discerning customers, they will quickly appreciate the difference between the classes of institution. Unaccredited institutions may not be able to insist on payment in advance, so protecting consumers against large losses (see chapter 5 where it is argued that there should no longer be an immigration requirement for payment in advance).

The whole process should strengthen Australia's reputation generally, since failures under compulsory accreditation could be more damaging than failures that are, by and large, confined to an unaccredited sector.

Nevertheless, unscrupulous operators might still offer sham courses to students who wish to come to Australia only to work. After all, there will always be a market for those who want to obtain illegal access to Australia or its labour market by way of student visas. This problem is unlikely to be totally eliminated, but it could be reduced if efforts to detect and punish fraud are more evident. The Commission's concern is that the regulatory measures put in place to tackle this problem have undesirable side-effects which far outweigh their doubtful success in tackling illegal immigration or protecting students. Another way of putting this is that part of the resources which the

community is willing to put into the enforcement of immigration rules is presently wasted on accreditation activities which are not related to the detection and elimination of immigration abuse or fraud.

Students will still be required, under the terms of their visas, to attend a specified number of hours each week at their courses. This will be monitored and non-compliance penalised. This should restrict the amount of time available for working.

Institutions may still offer courses with little content in order to keep costs down to working students. However, institutions doing this would be targeted under visa and assessment and their nomination would be viewed as a risk factor in the assessment of the student's visa application. Such institutions also run the risk of being deregistered by DILGEA if warranted by, for example, low student attendance.

Teachers in the unaccredited sector may not necessarily satisfy the strict qualifications required in the accredited sector. This need not disadvantage students. The existence of the unaccredited sector will give them a chance to establish a reputation for teaching irrespective of credentials. They will have to satisfy the market test.

Removal of Government-imposed prepayment should help students

In chapter 5 the Commission recommended that prepayment of course fees no longer be required as a condition of visa issue. In part it took this position because of prepayment is not an effective test of bona fides. Another concern was that Government-imposed prepayment gives the wrong incentives to institutions, misleads students as to the safety of their prepaid funds, and leads to pressures on the Government effectively to guarantee those funds.

First, it removes the scope for institutions to choose the patterns of payment they require from students. For example, some may ask for payments quarterly, others on a semester basis. Some institutions might wish to differentiate between students on whether and to what extent a prepayment is required. Current visa requirements reduce the market forces which would bear on payment processes. Institutions which otherwise would be unable to require full prepayment - for example, those without an established reputation - now benefit from the Government-imposed requirement for prepayment.

Second, providing lump sum payments to institutions in the expectation of receiving educational services places the student in a more vulnerable position and could raise a moral obligation for the Government to protect the prepaid amounts if other legal processes for recovery were ineffective. This is evident from the events of 1989. The Government's decision to tighten student entry procedures had serious effects on students who had paid their monies in advance and on institutions who had made financial decisions on the expectation of these students attending their institution. The cost to the Government for guaranteeing refunds to students rejected and students affected by institution closures was then estimated to be in the order of \$50 million but the amount allocated has since increased substantially.

Third, providing fees in advance can lead to students' funds being invested or spent early in the semester, and subsequent shortfalls in cash flow during the latter part of the year. This may lead to a subsequent downgrading of course quality. Moreover, it increases the opportunity for fraud, particularly in the case of those institutions which do not have a strong resolve to provide a quality service or any service to overseas students.

The Commission's proposal would give greater flexibility to institutions to offer fee payment options. Students should have more flexibility to choose courses with fee regimes which best suit themselves, taking into account their own power as consumers, the quality of the course and the reputation of the course provider. The current requirements to pay institutions may be discouraging foreign students simply because of mistrust of the custodian of the prepayments.

Nevertheless, the removal of restrictions on providers would not necessarily eliminate prepayment or even structured release of prepaid fees to students. Many parents of students might require such a service from institutions of good repute. However, they may also appreciate the choice of not entrusting such large amounts of money to colleges.

Institutions could provide trust facilities

It may still be argued that eliminating compulsory prepayment does nothing to protect the fees of students where the institution itself requires substantial prepayment. However, there is nothing to prevent institutions developing arrangements to guarantee the security of prepayments. Indeed, colleges may find it a marketing advantage to do so. Some students may prefer to prepay in order to help establish their bona fides, and would see advantages in enrolling at an institution which offered legal protection for their fees.

One approach may be for institutions or an industry association to offer students the protection of independent trust accounts, whereby students' funds are held in trust (that is, in an account under the control of independent trustees) and educational institutions are able to draw on those at a binding, predetermined rate. This could be reflected in a contractual relationship between institutions and students, and could include provisions for students to receive any residual fees in the event of the closure of the institution.

Beaufort College provided information on voluntary proposals being considered for a student fee indemnity scheme by WAPETIA. This is intended to ensure that students receive the service for which they have paid, rather than a refund of fees in the event of commercial failure of an institution. The scheme would be dependent on other members of the industry maintaining sufficient extra capacity to provide places for any displaced students (Submission No. 51). This would impose administrative costs on those institutions covered, irrespective of whether they were at risk of collapse or not and the scheme would be placed under pressure if one or more large providers failed.

Fees paid to formal sector institutions can be presumed to be safer than fees prepaid to many private colleges. Nevertheless, there are many non-formal providers which are well-established and would not need to offer fee protection schemes as complete as colleges without an established reputation.

Until the end of 1993 institutions are required, under the Education Services Act to maintain 'special accounts' into which students fees are paid. These accounts form part of the institution's financial accounts, but are notionally earmarked for holding students' funds. They are still under the control of the institution; they do not involve a trustee/agent relationship in law. In essence, then, the funds so accounted for still belong to the institution, and would be lost to the student in the event of a collapse. The purpose of the proposal is to permit easier identification and monitoring of the funds, with regular reporting to DEET on a institution's financial situation.

Protection under the Education Services Act relies on the legal requirement that institutions enter into arrangements satisfactory to the Government to protect students' funds. What these arrangements may be is as yet unknown. However, several participants in the draft report process commented that insurance appears to be difficult to obtain and if available, would be expensive; the efficacy of the other arrangements depends on their content but they are likely to be complex and expensive, except where the organisation is part of a large public or established institution.

The Government was prompted to set up the mechanisms contained in the Education Services Act by institutional failures in the non-formal sector. The requirement of the Act may involve significant costs, and these will be borne by many institutions which are not at risk. Moreover, there are already incentives for institutions to implement measures to protect students. During recent difficulties, the actions of some institutions in taking students from failed institutions attests to this, and reflects a concern to protect the reputation of their industry. This was a relatively low-cost response in the circumstances.

In the longer term it would be preferable to find solutions which minimise costs in this latter way, rather than to prescribe a regime for all which might offer the appearance, but not necessarily the substance, of fiduciary security. Allowing flexibility would also be a better longer term response, as individual institutions would make their own judgments about the amount and type of protection they offered students, and student demand could be expected to adjust accordingly.

For example, the Commission envisages that some institutions might voluntarily offer students the full protection of, for example, accounts established under trusteeship arrangements, with trust deeds and nominated, independent, trustees. Under a voluntary trust fund system, students could decide whether to rely on the reputation of a particular institution or to seek those which offered some form of indemnity from the institution itself, under the umbrella of an industry association or otherwise. The key point is that students should be informed of their rights and status of their fees in the event of a collapse. One element in this would be their legal rights under whatever trust arrangements were provided.

A different approach might be for institutions or an industry body to establish some form of insurance scheme. Institutions could voluntarily pay a premium and in the event of a collapse the students' residual fees would be refunded to them. This would eliminate the requirement to draw down on fees periodically. Again, this should not be compulsory for all providers.

7.6 The separate roles of ELICOS and the Adult Migrant English Program (AMEP) providers

The AMEP is a Commonwealth English language program which aims to assist recently arrived migrants to function effectively in Australian society and to acquire the language skills they need to achieve their goals. Currently 24 service providers are funded, including each State's Adult Migrant Education Service, tertiary providers and TAFEs.

The basic philosophy behind AMEP differs from that of ELICOS. AMEP courses endeavour to help students reach a level of English use that enables them to obtain work and participate in a society where English is the dominant language. Quality of provision and a commitment to specific outcomes using the Australian Second Language Proficiency Rating are considered essential. Nevertheless, the Commission is aware that some Australian residents attend ELICOS courses (for a fee) in preference to (free) AMEP courses.

Until recently, ELICOS providers were not permitted to supply AMEP services. That is, the teaching of English to overseas students and to migrants were handled through completely separate mechanisms. However, in 1990 the Commonwealth Government decided to allow for the tendering of 10 per cent of tuition funds in 1990-91 and 30 per cent in 1991-92, where this does not breach State/Commonwealth arrangements. (Following strong objections, including from the relevant unions, this decision was subsequently deferred pending a review of the impact of tendering on the AMEP which is being undertaken by DILGEA.) In principle, any additional funds would be available for tender. A set of criteria for AMEP providers was developed through consultation. Providers must be accredited through the appropriate channels, depending on whether they are, for example, a formal institution or private ELICOS provider. A de facto accreditation process then follows for eligibility for funding under the AMEP. This process reflects the different nature of AMEP which focuses on English as a second, rather than as a foreign, language.

The New South Wales Migrant Education Service argued that the proposed changes would not bring about better services to the non-English speaking immigrant community and that expansion of the ELICOS sector should not be carried out in a manner which would be likely to have a negative impact on the AMEP.

On the other hand, the University of Melbourne argued:

There could be a special synergy developed between the ELICOS providers and the Adult Migrant Education Program if the resources and expertise of ELICOS centres could be tapped (Submission No. 23, p. 12).

The Commission's proposal in its draft report that ELICOS institutions be permitted to tender to provide AMEP services and that AMEP providers should be allowed to take full fee paying overseas English students drew a varied response from participants. The New South Wales Teachers Federation and the Australian Teachers Union in a joint submission opposed the proposed recommendation, on the grounds that most submissions to the DILGEA review opposed the idea, that the tendering process involved costs to tenderers which could not be recovered and that there would be a reduction in the number of permanent teachers which would lead to instability in the industry.

The ELICOS Association agreed with the proposal in principle but suggested that a voucher system might be preferable to a tendering process. Alternatively, if tendering was adopted, it suggested that an equitable tendering process would be one in which AMEP suppliers did not have the advantage of building government subsidies into their tender prices.

The New South Wales Government generally supported the thrust of the recommendation but expressed some reservations about the implications of such a system on aspects such as Commonwealth/State funding arrangements for the AMEP program, infrastructure arrangements and educational aspects of AMEP services.

The Victorian Government argued that AMEP and ELICOS programs, together with development programs provided through AIDAB, should be linked together in a national strategy for teaching English to speakers of other languages (Submission No. 190, p. 7).

The Commission recognises that there will be some difficulties associated with opening up the markets of AMEP and ELICOS to the other group which may well require changes to existing practices and procedures. Many of these relate to the different cost structures faced by each area. For example, some employment conditions for teachers in AMEP are better than those in ELICOS. As well, AMEP providers do not have to meet the standards for accommodation and facilities required of ELICOS institutions. Private ELICOS institutions have to incorporate a return on capital into tender prices submitted for AMEP operations. It is therefore essential that, where tenders are called, they should be constructed and evaluated in such a way as to put all parties on an even footing as far as possible, ie AMEP's bids should be made on a fully costed basis.

While there are some differences in the educational philosophies and techniques of each group, there are also underlying similarities in the markets served by ELICOS and AMEP providers. There would be gains for the better providers in both groups, particularly in the longer term, if they were permitted to take advantage of all aspects of the market for teaching English. It would provide a larger market for the better ELICOS institutions, and an additional revenue base for AMEP providers.

The Commission recommends that ELICOS institutions be permitted to tender to provide AMEP services and that AMEP providers with unused capacity should be allowed to take full fee paying overseas English language students.

The Commission also draws attention to the benefits which can accrue to Australia if intending migrants had an incentive to gain English skills suitable for Australian conditions prior to their arrival. The International Organisation for Migration (IOM) noted (Submission No. 61, p. 4) that since 1983 it has offered courses to intending migrants in Portugal to acquire English skills on a fee for service basis. Under its proposal to extend this service, significant Australian exports (of curriculum material and teaching services) would be involved in servicing these overseas markets. Apart from reducing government expenditures on free education under the AMEP, the proposal is seen by IOM as reducing other costs which are imposed on Australia in the early stages of settlement by non-English speakers.

8 UNIVERSITIES

Exports of education have beneficial effects for some domestic students in the form of higher teacher/student ratios, better facilities and the opportunity for a more internationalised and specialised education. However some possible benefits from exporting are not being captured. In certain circumstances, exports are likely to have adverse effects on domestic students in the form of displacement from some courses which are in high demand and quality effects such as crowding.

Universities are currently not enrolling all acceptable overseas applicants because of their requirement that overseas and domestic students have uniform minimum standards. Within universities, funding arrangements between the central administration and the schools or faculties often prevent the benefits from overseas students being maximised. Some qualified domestic students are precluded from attending public universities although similarly qualified overseas students would not be precluded. To correct these and other resource use inefficiencies and inequities, more attention should be paid to pricing signals.

The Commission recommends that the Government accept the need to alter current policy so that qualified domestic students are not precluded from a place in public universities. The Commission also recommends that a review be undertaken to investigate thoroughly arrangements for providing places to overcome the problems which have been identified in this report. In the absence of such a review, the Government should immediately implement one of the discussed options to overcome the serious problem that qualified Australian students who do not currently have a funded place are prohibited from public university study.

8.1 Introduction

Exports of education have many of the characteristics of normal commercial activity. International students choose from a range of educational institutions operating in a number of countries. They take account of quality and price factors. Education suppliers respond to their demand and make judgments about whether they can successfully supply the export market at prevailing prices for their inputs.

Education of a country's own citizens, in contrast, has often been seen as an activity which is beyond the normal calculus of markets. A heavy emphasis on pursuit of social values such as equity, equality of opportunity, and discovery and learning has ensured that there has always been strong government involvement in the provision of education.

It would be surprising, therefore, if the recent grafting of a market-oriented export sector onto a highly regulated, largely government-funded sector did not bring some tensions. In some ways, the surprise is that the early tensions have not been greater. The potential for the supply of the foreign market to have ramifications for the education of Australians is, however, clearly a concern, and one that is expressed in the terms of reference for this inquiry. Item (3) asks the Commission to:

... have regard to the established social objectives of governments and the potential impact of export development on access to, and the cost of, education services for the Australian community.

These issues are of most concern in considering the formal education sector, through which social goals for domestic education are largely implemented. In the formal sector the impact of exports is greatest in tertiary education. The analysis in this chapter will be primarily concerned with the situation applying to universities. Some of the issues raised here affect TAFE colleges and schools, which are considered in later chapters.

8.2 How are places allocated to domestic students?

Commonwealth higher education funding has been through a major restructuring since the introduction of the White Paper (1988). Under the new arrangements institutions wishing to receive full Commonwealth funding are required to become a part of a Unified National System and receive funding on a rolling triennial basis. Institutions within this system must conform to a range of specified objectives, whilst those outside the system have no guaranteed base of Commonwealth funding and are only funded by annual contracts for specified teaching activities.

Funding is allocated through a base operating grant (covering basic operating costs) and special purpose grants (for research and capital works). Specific grants are also given to fund teaching hospitals and to develop equity and national priority projects. Growth funding is allocated separately on an annual basis for the third year of the rolling triennium.

Operating grants

Allocation of operating grants for each higher education institution is calculated during 'educational profile' negotiations between DEET and each institution. In effect, these lead to decisions as to how many domestic students DEET will fund in each institution, and in what general discipline. As the University of New South Wales noted:

The key point is that DEET will not fund enrolments in excess of agreed numbers; effectively DEET has set the institutional discipline quotas within which the universities set the individual course quotas (Submission No. 78, p. 2).

Institutions are funded under a system of block operating grants, but the method of allocation underlying the grants is based on the relative costs of the teaching mix. This is known as the relative funding model. It assigns weights to the different disciplines on a cost basis. The most expensive courses receive the greatest weight/funds. Medicine, dentistry or veterinary science are

among the most costly courses to provide, while some humanities, education and law are the least costly (on an annual basis). Similarly, funding is adjusted to account for the postgraduate/undergraduate balance so a student enrolled in higher degree research will be weighted more heavily than one at the undergraduate level.

In estimating the varying costs in supplying different courses or awards, the model incorporates direct costs such as teaching hours, and indirect costs of central resources such as libraries, central administration, building maintenance etc. As shown in table 8.1, academic disciplines are allocated into five groups at the undergraduate level, three at the postgraduate level and two at the higher degree research level.

Conceptually there are two elements to the new system of operating grants funding. One element is its use as a method of reallocating a given total level of funding existing at the time the system was introduced. The funding relativities between different disciplines, used as a starting point to apportion the total funding provided, are shown in table 8.1. The dollar amounts added in brackets in the table have been calculated on the basis of the system-wide funding rate of \$5 075 per weighted effective full time student unit which applied in 1990 (Baldwin 1990a, p. 13). However, this does not mean that institutions receive per student amounts equal to those in table 8.1 (the size of the Commonwealth's education budget does not permit it).

Table 8.1: Indicative funding relativities for disciplines (per year), 1990a

<i>Undergraduate</i>		<i>Other postgraduate</i>		<i>Higher degree research</i>	
Accounting	1.0	Accounting	1.4	Accounting	2.0
Administration/ economics	(\$5 075)	Administration/ economics	(\$7 105)	Administration/ economics	(\$10 150)
Law Law Computing Other humanities		Other humanities		Education	
Behavioural science	1.3	Education		Law	
Education	(\$6 598)	Mathematics/statistics		Mathematics/statistics	
Mathematics/ statistics		Other social studies		Nursing	
Other social studies		Computing	1.8	Architecture	
Computing	1.6	Nursing	(\$9 135)	Other health	
Nursing	(\$8 120)	Architecture		Other humanities	
Architecture		Other health		Other languages	
Other health		Other languages		Other social studies	
Other languages		Visual/performing arts		Visual/performing arts	
Visual/performing arts		Agriculture	3.0	Agriculture	4.7
Engineering	2.2	Behavioural	(\$15 225)	Behavioural science	(\$23 853)
Science	(\$11 165)	science		Dentistry	
Surveying		Dentistry		Engineering	
Agriculture	2.7	Engineering		Medicine	
Dentistry	(\$13 703)	Medicine		Science	
Medicine		Science		Surveying	
Veterinary science		Surveying		Veterinary science	
		Veterinary science			

a The numbers in bold indicate the relativities between the discipline groups. Thus for undergraduate courses, engineering receives 2.2 times as much as accounting. The numbers in brackets indicate the annual dollar equivalents.

Note: As discussed in the text, the funding received by institutions may not accord with the above amounts. Actual funding is determined in negotiations with DEET, and is subject to a number of influences.

Source: DEET.

There are tolerance bands in relativities among institutions and phasing arrangements for the actual allocations. In assessing the position of institutions, a tolerance band of plus or minus three per cent variation from the level suggested by the funding model is used. Institutions do not all receive exactly the same funding per student for each student in each discipline at each level. The system could not, in any case, be as precise as this because enrolments could never match the agreed educational profile exactly. In 1991, for example, many institutions have over-enrolled to varying degrees, thereby significantly reducing the actual funding per student.

The other element is the way in which the model is used to fund growth in student numbers. Here the per student amounts in the table are also used as a starting point in assessing the level of grants for course places agreed to by DEET. The amount actually received per student depends on the total budgetary allocation for growth. However, unlike past periods, and setting over-enrolment aside, current per student amounts provided to fund growth places exceed average per student amounts in the base funding.

Especially with growth places, the per unit costs in table 8.1 might appear to present institutions with a set of prices to which they could respond according to the costs they face in supplying particular courses. In fact, however, the number and type of places supplied by institutions are closely regulated through negotiation with DEET.

Nevertheless, some institutions are using the per student amounts calculated for growth funding under the relative funding model in their internal decision-making. For example, in discussing the incentives to take domestic accounting students, the Commerce Department at the Australian National University observed that:

... DEET will provide approximately \$5 100 per student (for those taking a normal load) to all institutions (Submission No. 126, p. 3).

In determining which institutions will receive funding for growth, DEET allocates on the basis of an analysis of State and regional needs, the capacity of institutions and their individual bids for growth. It also allocates to those fields of study considered by the Government to be of greatest relevance to its goals of industrial development and economic restructuring.

To analyse State and regional needs, Commonwealth/State Joint Planning Committees have been established. These identify priorities and direct funds to areas where there is high demand and participation rates for higher education, projected population growth and expected increases in year 12 retention rates. Recommendations from these Committees are assessed in conjunction with institutional bids during educational profile discussions. Institutions outline where they have capacity for growth.

DEET ascertains the:

... areas of strong demand from students and industry, having regard to the likely future needs of the economy and labour market (White Paper 1988, p. 17).

These become 'priority' areas for growth and are important in determining which institutions receive growth funding. Priorities may not necessarily reflect student (or market) demand.

Since 1989, the Government's national priority areas have been computer science, engineering, accounting, other business and commerce, Asian studies and teacher education involving mathematics and/or science. This list has been expanded to include environmental studies and teacher education involving foreign languages for 1993 and 1994. In 1993, nearly 60 percent of growth will be in priority areas with the remainder spread across other fields, such as arts.

Growth funding for non-priority areas is provided to institutions according to a number of criteria. For example, institutions which demonstrate the capacity to expand higher degree enrolments are likely to receive funding because of:

... the demand for highly skilled people in the economy generally and the emerging academic staff shortages (Baldwin 1990b).

Variations in student demand and differing rates of student participation have some role in determining the appropriation of funds.

It is clear from the above that the cost levels in the relative funding model are not in any sense a set of prices in response to which institutions plan their educational output. Because of the role of negotiations with DEET in determining funding, the amounts received per student can, and do, vary across institutions for students studying in the same discipline. There is no transparent formula that would allow precise prediction of per student amounts.

Higher Education Contribution Scheme

Since 1989 domestic students have been required to contribute towards the cost of their education through the HECS. For 1991 all students are charged \$1 993 for a standard load in a year of full time study.

Students have the option of deferring their payments. They may pay 85 per cent of HECS at the start of each semester in full payment of their obligation. Students may choose to start paying later, when their taxable income reaches a minimum level (in 1990-91 this was \$25 469). Rates are set so that repayments increase as taxable income increases. It is estimated that of the current \$3.86 billion of funding for higher education, over \$600 million will eventually be recovered through HECS payments.

HECS is primarily a revenue-raising measure. Its implications for the efficient allocation of resources are minor for two reasons. First, the institution enrolling the student does not set the level of the HECS; any HECS revenue it receives, whether directly from those paying up front or through the Higher Education Trust Fund, is reflected in reductions to its operating grant. The revenue does not, therefore, influence internal decision making by institutions. Put another way, the HECS does not represent a price to which an institution should respond.

Second, the HECS fee is the same regardless of the type or level of course the individual is enrolled in. It does not vary according to the cost of providing, or the demand for, the course. For example, a medical student enrolled in higher degree research (average cost of approximately \$24 000 per annum) is charged the same as a student enrolled in an undergraduate law degree (average cost approximately \$5 000 per annum). Therefore while the HECS charge may be beneficial in discouraging some students whose personal benefit from the course is lower even than the small proportion of the cost HECS represents, it has little effect in encouraging students to compare the cost of provision of different courses.

In theory, there is no reason HECS could not be adjusted to give more weight to resource allocation. There are at least two improvements that would not compromise the equity advantages of HECS. One would be to allocate funding more on the basis of student demand and enrolments, and another would be through adjustments to charges more fully to reflect course costs, as recommended, for example, in the *Report of the Committee on Higher Education Funding* (Wran 1988).

Capital funding

Funds for capital expenditure and for most research are supplied independently of operating funds.

To provide infrastructure, institutions supply bids for specific projects to DEET. The outcome of bids is determined by DEET in line with the Budget allocation and perceived priorities, such as their capacity to accommodate growth (particularly in priority areas) and student accommodation.

The failure to link capital provision with student numbers has led to claims that capital has been underfunded. This view was advanced by the Hudson Committee in 1986. The Committee found

... capital funding should have been between \$12 000 and \$20 000 per additional EFTS over the five years 1981 to 1985 (at 1985 cost levels). However, capital grants had averaged only \$10 000 per additional EFTS during that period, compared with \$21 600 per EFTS during 1973-75, a period of very rapid student growth, and \$31 100 during 1976-80 (Mathews 1990, p. 114).

In 1988 a report on the higher education sector supported these findings, suggesting:

... a substantial injection of Commonwealth capital funds is both necessary and overdue.

It added that some institutions:

... have accumulated minor works funds over a number of years for major capital works purposes. At least one has received capital funds from a State Government and others have attracted assistance from non-Government sources, particularly for research facilities and student accommodation (Setting the Course 1988, p. 41).

Since that time funding for capital has been increased substantially. Expenditure in each year of the 1991-93 triennium will be, in real terms, six times the level of funding provided in 1982. Moreover, access by institutions to full fee paying students provides a source of investment funds. The University of New South Wales said that:

... there has been an injection of capital funds into an education system which was virtually bereft of capital funds, and in which the building stock was decaying faster than it could be repaired or replaced at the ruling levels of funding ... Full fee overseas students will probably rescue the national capital investment in universities. The University of New South Wales alone will probably accumulate capital in excess of \$3 million annually from fees. Prior to this regular capital inflow, which permits rational planning, it has been common to wait a decade for significant capital grants. It is still common (Submission No. 78, p. 4).

Until there is a more direct linking between capital funding and domestic student numbers, this problem may reoccur.

Fees from Australian students

Universities may now charge fees to domestic students for certain postgraduate awards and for non-award courses. The postgraduate courses are those 'designed for professional upgrading or extension purposes'. Fees cannot be charged for courses leading to basic professional qualifications and thus students proceeding directly from undergraduate studies cannot enrol in these courses.

There are no guidelines differentiating between postgraduate courses principally for professional upgrading and those which are an extension of basic professional qualifications. Thus, it is possible that one institution will offer a course for professional upgrading and charge students fees, while another institution will offer a similar course as part of the basic qualification and students would be charged the HECS.

Non-award courses refer to courses of study which do not lead to an award such as a degree. Institutions must charge students who choose to enrol in non-award courses fees equal to or greater than the HECS contribution. The level of charges varies across institutions.

While non-award courses do not in themselves lead to award qualifications, students have the option of converting their studies into credit points toward a degree. It is conceivable that students who were not accepted into the DEET-funded quota at particular institutions could enrol in prerequisite courses for that degree as non-award fee paying students. At a later date the students may use the credit points to enter within the DEET quota into second or third year studies with advanced standing. In these instances, Australian students would be paying fees for at least a part of their degree (the level of fees would depend on whether the institution levied charges above the HECS level).

Australian students may also choose to enrol in a private university. For example, Bond University offers domestic students a range of degrees at prices similar to those which overseas students pay. Students may also choose to enrol in fee paying courses at TAFE or private colleges from which they have the opportunity to enter the university system with certain credit points. However, domestic students may not enrol in private colleges which offer part of a public sector university degree. This is to prevent domestic students from purchasing a place (equivalent to a public university place) when the student was not able to be enrolled in the university.

Higher education and student demand

While there are a number of anomalies emerging in current arrangements for charging students, it can be observed that virtually all domestic students now make some contribution towards the cost of their education. Most pay the HECS, some pay the full cost of their courses, while others pay university-determined fees which are generally above the HECS but less than full fees. The rationale for these differences is sometimes hard to determine, and there are implications for both the efficiency of resource allocation within the education sector, and for equity between different groups of Australians. These matters are discussed later in this chapter.

In addition to these changes, it is also the case that since 1990 the method of funding of higher education appears to have been more closely related to the costs of provision than was the case in the past. Costs of provision are in turn related to the mix of courses an institution offers to students. To the extent that course provision is influenced by student demand, funding could be said to have been becoming more demand-driven. Nevertheless, as noted earlier, the number of places offered, and the amount of funding provided, results from negotiations between DEET and the universities, rather than as a direct response to student demand or to costs.

8.3 How are places allocated to overseas students?

The ability to enrol full fee paying students now has a significant influence on the revenues of a number of institutions, and is growing in importance. DEET estimated that revenue to universities from overseas student fees in 1990 was about \$154 million, adding about 4 per cent to Commonwealth operating funds for higher education institutions (Submission No. 128, p. 31). Moreover, in marked contrast to Government-provided funds, institutions have almost complete control over the use of revenue from this source.

Overseas student demand has some effect on the pattern of courses taught. Full fee students are increasingly enrolling in commerce, computing and related courses, whereas under the subsidised student program more were enrolled in disciplines such as science. According to the University of New South Wales:

The move has been away from disciplines where the Australian Government may have been willing to subsidise students, but where private students cannot see an adequate return on their investment (Submission No. 78, p. 3).

To ensure that the growth of overseas student numbers does not occur at the expense of Australian student places, Commonwealth-funded institutions are required to adhere to guidelines, administered by DEET, which are intended to prevent the displacement of domestic students and to avoid any Australian Government subsidy of overseas students.

Guidelines for institutions which enrol full fee overseas students

Commonwealth-funded institutions may only enrol overseas students over and above the number of places which DEET will fund for qualified Australian applicants and subsidised overseas students. Institutions must also ensure that the development of new courses or the expansion of existing ones does not conflict with the requirements for growth in the number of places for Australian students.

The guidelines require institutions to charge fees to overseas students at levels which reflect at least the full average cost of providing a place in the course, even if extra places can be provided at little additional cost to the institution.

The calculation of full average cost includes components for teaching and research services, administration, overheads such as rent and utilities, capital facilities for the course in question and common use facilities such as libraries. Indicative minimum fees calculated on this basis are set each year by DEET. They reflect long run financial data collected from universities, together with some cost studies undertaken by DEET. Minimum fees for 1989 to 1992 are listed in table 8.2.

For particular courses, institutions may set overseas student fees which are lower than the minimum fees set out in the table, provided that the shortfall is recouped from other courses. Equally, they can set higher fees where they judge the demand to be stronger.

Although DEET minimum fees are supposed to reflect full average cost, it appears that they are set in part to reflect the prices charged in other countries. Table 8.2 indicates that the DEET minimum fee for some courses fell substantially after 1989. For the science discipline, this fall brought Australian prices more into line with prices charged by competitors.

The prices DEET has set for overseas students differ significantly in structure from those indicated for domestic students (table 8.1). Under the relative funding model, DEET recognises that costs of education vary both across the level of education undertaken (for example, postgraduate or undergraduate) and across discipline. In contrast, the overseas student minimum fees are set at the same level regardless of whether the student is undergraduate or postgraduate. Moreover, for

domestic students, DEET acknowledges the cost of providing say nursing, is higher (by about \$3 000) than the cost of providing law or business. Under the DEET minimum fee schedule for overseas students the cost between different disciplines is more uniform. For example, nursing is priced the same as law/business discipline. (The different fee structures for domestic and overseas students can be ascertained by comparing table 8.1 with table 8.2.)

Table 8.2: Indicative minimum fees for full fee overseas students, 1989 to 1992 (\$ per year)

<i>Undergraduate/Postgraduate course categories</i>	<i>1989</i>	<i>1990</i>	<i>1991</i>	<i>1992</i>
Law, economics, business	6 500)			
)			
Humanities, maths/statistics, social science, education	7 000)			
)	6 500	6 700	7 100
Computing, architecture	8 000)			
)			
Nursing visual, performing arts	9 000)			
Science (lab. based), paramedical, engineering, pharmacy, agriculture	13 000	9 800	10 000	10 600
Medicine, dentistry, veterinary science	16 000	13 500	13 700	14 600

Source: DEET.

Institutions may retain both the operating cost and capital component of overseas student fees. The institutions have free use of all revenue from those fees, subject only to the condition that such funds be applied to education-related activities. (The capital component of revenue must be used for capital development, although this does not preclude the investment of additional revenue in capital.) The extent to which fee income accrues to the school or faculty providing the service is a matter determined by the institution itself. This issue is examined below.

How do institutions set their fees in practice?

Many institutions charge above the DEET minimum fee. In general, institutions set prices with regard to the prices charged both by domestic and overseas competitors. Table 8.3 shows a range of prices across universities.

According to La Trobe university, fees are set to reflect:

... factors such as demand for the course, the location of the institution, the perceived 'prestige level' of the institution, fees set by competitors in Australia and fees set by our main overseas competitors in UK, USA, Canada and New Zealand (Submission No. 58, p. 8).

The University of Melbourne argued that prospective students are price sensitive, and consequently:

... most Australian institutions have been conscious of pricing considerations once they have identified their underlying costs. That many charge above the minimum full average cost set by DEET reflects both their costs levels and their judgment of the market. The University of Melbourne assesses the levels charged by its Australian and international competitors in setting its fees (Submission No. 23, p. 10).

Table 8.3: Annual fees for full fee overseas students at selected universities in 1991 (\$)

Course	Melbourne	MurdochDeakin	La Trobe	Flinders	Macquarie	Curtin
Law	9 400	10 000	-	-	-	8 500
Economics	12 000	9 200	9 000	8 500	8 000	8 500
Commerce	12 000	9 200	9 000	8 500	9 000	8 500
Arts	9 400	9 200	8 000	8 500	8 000	8 500
Engineering	16 000	-	-	15 000	-	-
Agriculture	19 500	-	-	15 000	-	-
Medicine	22 000	-	-	21 000	-	-
Veterinary science	24 000	25 000	-	-	-	-

Note: These figures are indicative only. The course content varies between institutions and the fee quoted may or may not include student guild fees and other charges.
Source: Submissions.

Many universities did not have difficulties with the minimum fee structure, but argued that any attempt to reflect imputed land values in their cost structure would lead to significant differences in basic fees across institutions. The setting of minimum fees is discussed later in the chapter.

Other factors affecting decisions to enrol overseas students

Allocation of fees from overseas students

More influential perhaps than the constraints imposed by the DEET guidelines are the constraints imposed by the financial and administrative arrangements within a university. These will in large part determine the incentives to take full fee paying overseas students, and attitudes are likely to differ considerably between central administration and the faculty or school level.

With the exception of research grants from the ARC and funds for capital works, institutions have a free hand in the allocation of their income, whether from the Commonwealth or from fee paying students. This system is intended to allow the Commonwealth to influence the range and scale of activities, but for institutions to maintain academic choice about the quality and content of the level of resources invested in different courses.

The rules for allocation of funds within institutions appear to differ widely. The amount of funding an individual discipline could expect to obtain if it provided a place to an additional student who satisfied the entry requirements depends on a range of institution-specific factors. These include the degree of centralisation of administration and its bureaucratic strength in attracting resources to itself, the degree of overstaffing with tenured and other staff in disciplines in which student demand has declined, and arbitrary rules about allocation of teaching costs across disciplines.

At the University of Melbourne, for example:

Faculties have considerable autonomy in the control of their own affairs and the way in which they distribute full fee income within their own areas of budgetary responsibility will vary. Each faculty has a strategic plan, endorsed by the University, and the extent to which overseas students are important to that plan influences the fees allocation policy the faculty adopts (Submission No. 135, p. 8).

It also said that:

Departments will not enthusiastically offer to teach more students, local or overseas, if there is no inducement to do so. For practical purposes, the inducement to teach overseas students is the amount by which the allocation to the department exceeds that for an extra local student (Submission No. 23, p. 4).

The Australian Society of Certified Practising Accountants maintains institutional arrangements have inhibited the export of education. It said:

One impediment to growth of export of accounting courses is that ... many accounting faculties, which provide a high proportion of the full fee paying places in their institutions, receive a disproportionately low share of the fees received by their institutions (Submission No. 30, p. 7).

The evidence available to the Commission indicates that universities vary markedly in how they share out fee income between central administration and the faculty or school. For example, La Trobe University deducts capital and marketing components from the fee, and then allocates 80 per cent of the remainder to the academic school and 20 per cent to non-school areas such as the library, computer area, student services and administration. The University of Sydney said that the capital component is placed in a central account to fund major capital works, while 60 per cent of the remainder is disbursed to the faculties with 40 per cent earmarked for central administration. The University of Queensland said that, broadly, fee income is divided between general services and teaching areas in the same proportions as government funds for domestic students.

At the public hearings a number of participants said the issue of internal allocation should remain the responsibility of individual institutions. The AVCC, which represents the views of universities, said that:

The allocation of funds within higher education institutions is, and must remain, the prerogative of the management of the institutions. To suggest otherwise would not only interfere with fundamental principles of institutional management and autonomy but would create a situation where policy decisions were divorced from management strategies (Submission No. 182, p. 4).

The Australian National University agreed, maintaining that:

Those charged with determining these distributional arrangements have been extremely sensitive to the requirement that such arrangements should not create artificial disincentives to recruitment activities (Submission No. 159, p. 3).

Clearly, the incentive to enrol overseas students will vary according to how much of the fee is available for use by those who directly provide the educational services and incur the associated costs. Thus, it is not just the income to the institution as a whole which will determine how enthusiastically it seeks to enrol overseas students. Notwithstanding this, some institutions will choose allocative processes that are more reflective of wider institutional objectives. The University of Western Australia said that:

... the underlying philosophy of the distribution of income from fee-paying overseas students has up until now that as large a portion as possible must flow directly to the teaching departments to provide incentive for departments participating in the export of education programme. This philosophy is currently being questioned. Now that the programme is so established and providing such a substantial source of income, one argument is that this income should be used to benefit the University overall and that the channelling of large amounts to high-demand departments is not necessarily desirable (Submission No. 142, p. 1).

In general, if the department providing the service receives less for an overseas student than for a domestic student, the incentive to recruit overseas students will be relatively low. The more that this occurs across Australian institutions, the greater will overall export of education be diminished. While this is essentially a matter to be resolved within institutions, it seems clear that the total number of overseas students enrolled is being adversely influenced by such arrangements.

Degree of excess capacity

The University of New South Wales said that:

... any individual university may have excess capacity, whether of a general nature (ie, general purpose lecture theatres), or of a particular nature (workshops, laboratories, clinical placements, etc)... In an environment where the government allows full fee enrolments of overseas students, it is only natural that universities with substantial excess capacity, will seek to enrol such students, up to the level of physical capacity, subject to the availability of additional staff (Submission No. 78, p. 2).

In other cases there may be overcrowding. This may be overcome by borrowing to make the necessary level of resources available. However, a number of institutions have statutory limits on their ability to borrow funds. Even where capacity to borrow funds, or to use revenue provided by overseas student fees exists, some institutions may choose not to increase overseas student numbers. The University of Western Australia maintains it:

... does not currently have excess physical capacity; thus the question of enrolling more overseas students or enrolling fee-paying Australian students is not viable. UWA initially entered the full-fee paying overseas student programme with the aim to fill excess physical capacity, this has certainly been done (Submission No. 142, p. 1).

Enrolment levels and entrance scores

- *Over-enrolment and unmet demand*

In 1991, institutions enrolled about 14 000 more domestic students than were funded by DEET. This over-enrolment is not funded by the Commonwealth. Currently allocated resources will be spread more thinly, perhaps with implications for the quality of teaching provided. It effectively means that the additional enrolments will be 'paid for' by reductions in quality and/or extra demands on teaching staff (leading to, for example, lower teacher/student ratios, greater crowding etc).

With university education heavily subsidised and with places limited by budgetary constraints there is excess demand from domestic students for university places. Higher year 12 retention rates and increased re-enrolment rates within universities are expected to result in continuing high levels of demand for the foreseeable future.

The AVCC survey of unmet demand attempts to quantify the number of people who apply for entry to higher education, are judged eligible but who fail to gain entry because of restrictions on availability of places. The AVCC said:

A number of discounting assumptions have been applied to take account of factors such as interstate applicants, restricted range of preferences and rejection of offers by eligible applicants to establish what is considered by the AVCC to be the genuine level of unmet undergraduate demand (Submission No. 182, p. 8).

The survey estimated that there were between 20 000 and 29 000 persons of acceptable academic standard who were denied a place in 1991. This is an increase of 40 percent over 1990 levels. The AVCC acknowledged that its model is sensitive to appreciable movement in its parameters, but said the data:

... indicates a substantial number of qualified applicants not being able to obtain a higher education place (Submission No. 182, p. 10).

DEET expressed broad support for the methodology used in the survey. Research is now being undertaken by DEET to examine the characteristics of unsuccessful applicants, and the AVCC said it will take account of this when available. However, it noted that use of the same methodology over time had shown that levels of unmet demand have unambiguously increased.

Irrespective of the merits of the AVCC's methodology, there will always be difficulties in measuring the real level of unmet demand so long as demand does not take account of the value which a student places on university entry. Where there are queues of acceptable domestic students seeking entry into university, the allocation of places is generally determined by taking those with the highest entry scores. Under the current situation of rising unsatisfied demand, increasing numbers of individuals applying for entry into university are expected to place upward pressure on academic entry standards. The level of entry score for a particular course will depend in part on the level of demand for the course. For example, the entry scores for Arts, Science and Asian Studies might on average be lower than for areas of high demand such as Computer Science, Economics and Commerce. During the course of the inquiry, some universities said that while there was substantial unmet demand in particular faculties, some courses, such as engineering, have considerable trouble in filling places.

In areas of high demand, the entrance score achieved by the last domestic student accepted will be higher than the minimum score considered necessary, on academic grounds, to complete the course successfully. At one level, this may mean that an academically acceptable student who misses a place may in fact value the course more highly than a student with a higher entry score and who is accepted. This raises issues broader than can be covered in this inquiry. However there is a related implication that is of direct relevance to overseas student programs, and this is now discussed.

- *Effect on overseas student enrolments*

If institutions enrolled any overseas student who met an acceptable standard, this would mean that, in high demand courses, an overseas student who just exceeded the minimum entry score might be given a place while a domestic student who is unfunded but who has the same score or higher is excluded. Thus, some academically acceptable domestic students would miss out because they were beaten for one of the limited number of domestic places by a domestic student with a higher entry score, and because government funding was insufficient to provide them a place.

Institutions maintained that in most cases, the standards set for overseas student entry are higher than those for domestic students. The University of Melbourne said:

Many institutions, including this University, ensure that local students are not subjected to any decline in academic standards by insisting that overseas students meet the minimum entry requirement for local students. In most courses, where quotas are applied, this standard is often much higher than for Australian students (Submission No. 23, p. 10).

According to the University of New South Wales, equivalent entry standards are an important reassurance that domestic students are not being displaced. Moreover, the University said there are educationally-based incentives to support high entry standards. It said:

If they are academically well-qualified then they have a better chance of making the necessary adjustments without undermining their academic performance (Submission No. 78, p. 3).

Nevertheless, the University noted that ‘political reasons’ also lay behind this practice. The perceived need to demonstrate to the broader community that international and domestic students are being treated equally appears to be important to institutions.

Although there are no formal guidelines, the code of ethical practice and the guidelines for higher education institutions offering full fee courses formulated by AVCC institutions indicate:

... entry requirements for overseas students should be such as to maintain standards and encourage a high success rate and that offers of admission should not be made to overseas students on a less selective basis than those to prospective home students (Submission No. 80, p. 7).

These requirements are determined by the universities and their representatives - there is no government requirement to the effect that domestic and overseas students meet the same entry score levels.

Advice on assessing equivalent qualification levels for most overseas students depends on guidelines developed by individual institutions, often based on their experience of the performance of students in the courses. For postgraduate students, universities may seek advice on equivalent schedules from the National Office of Overseas Skills Recognition.

Postgraduate students - of particular concern?

The reasons for enrolling overseas students vary between the graduate and postgraduate level. Postgraduates undertaking research may provide benefits to Australia which would be worth encouraging. This can apply equally to Australian and overseas students.

In some cases, those external benefits will accrue to the university itself. It might be expected that these would be taken into account in decisions which the institution makes about the scholarships it offers and the fees it charges.

There will also be cases when the work done, by postgraduate students in particular, leads to external benefits which primarily accrue not to one institution but more broadly. In those cases there is an argument for part or all of the funding of that work to come from outside of the institution, that is, from government funds allocated to research generally or from taxation revenue. The Commission is not in a position to assess whether available scholarships adequately encourage postgraduate research, but it considers that this matter deserves closer examination.

If the minimum fee which DEET sets for overseas students were removed, universities would have greater scope to set fees at a level which took account of the benefits which universities receive from some postgraduate students. Indeed, this appears to be happening at the moment. Murdoch University, while opposing the draft report proposal to remove the minimum fee requirement, said that:

Universities already have the ability to offer scholarships in the form of a fee waiver and are increasingly using this option as an attraction to postgraduate students (Submission No. 178, p. 2).

Some universities suggested that, even with fees set at zero, the available resources (including current Government scholarships) were inadequate to attract postgraduate students. The Australian National University argued that this was particularly the case in those postgraduate areas where high costs were incurred (Transcript, p. 586). Melbourne University said that:

... if we offer a Melbourne University postgraduate scholarship which provides them with a living allowance, we are not in a position really to waive the fees for anything more than a handful of students, whereas a student of that sort of ability applying to a university in the United States would probably find themselves with not only a tuition waiver, but a teaching assistantship as well. So Australia is really not competitive (Transcript, p. 8).

The Council of Australian Postgraduate Associations Inc argued that it:

... did not believe the removal of the minimum fee requirement would constitute a sufficient response to the universities' concerns about attracting and enrolling postgraduate students. The issue of adequate provision of scholarships and living allowances need to be considered (Submission No. 151, p. 2).

Indeed, DEET indicated that the minimum fee requirement was not a binding constraint. As was noted earlier, institutions may charge less than the minimum fee for one course if that shortfall is made up from another course. Moreover, DEET also noted that only 75 per cent of university funds come from the Commonwealth, and said that the guidelines:

... do not say that institutions cannot subsidise their full fee operations from other sources of income. It would be entirely possible for an institution in looking at the enrolment of a postgraduate student to take into account the potential benefits to the institution and to provide from its own sources some sort of scholarship that either ameliorates the fee in toto or in part or even provides living allowances. That would be a matter for the institution to decide (Transcript, p. 1 079).

The prospect of postgraduates being subsidised by other students if minimum fees were no longer required was raised by some participants. For cross-subsidisation to occur, however, the fees to overseas students would need to be below the cost to the institution of their education. This is not a necessary consequence of a fee being below the DEET minimum. One example occurs when institutions use excess capacity to provide a place. The DEET minimum fee, which incorporates an element of capital cost is above the cost to the institution. Again, if the institution considers that there are external benefits from enrolling a postgraduate (or for that matter, an undergraduate) student, subsidising that student by waiving or reducing fees might well be the right policy from the viewpoint of the institution as a whole.

8.4 Effects of arrangements on domestic students

Are domestic students displaced when education is exported?

The total number of domestic students offered places is largely determined by the amount of funds made available for distribution by the Government through DEET. It is difficult to see how the acceptance of overseas students by institutions could have anything but the most minor effect on any decisions about the quantity of these funds in aggregate. In an overall sense, therefore, there can be little or no displacement of domestic students by foreigners.

Moreover there are clearly courses in which overseas students take up existing excess capacity because of a lack of demand by Australian students. Some engineering courses fall within this category. There can be no displacement in any sense in these cases.

Education is not a uniform product, and students differentiate among disciplines, among institutions, among courses, among teachers, and among locations. These quality differences lead to quite uneven demands. Courses incorporating the most favoured characteristics frequently ration places to domestic students either by the use of quotas, negotiated with DEET, or by the establishment of high entrance standards.

In the same courses in which there is unsatisfied demand by domestic students there are often significant numbers of overseas students. This is hardly surprising since overseas students also perceive the economic merits of particularly valuable courses and there are many able overseas students capable of meeting the highest entrance standards.

Dr R Birrell and Prof T F Smith said:

We find the highest concentration of full fee overseas students in precisely these priority courses, especially at well established colleges where there is currently a surplus of qualified local applicants ... the Government has allowed colleges to set local quotas in priority subjects well below their capacity (Submission No. 26, p. 2).

They argue that quotas for domestic students for some courses have been reduced to accommodate overseas students. The reason for this is the relatively high income to be gained by universities from overseas students.

La Trobe University said that:

Some universities may be tempted to set tight quotas for Australian students in certain areas which are attractive to overseas students (for example, engineering, business studies), because they can receive a higher income for accepting an overseas student rather than an Australian student. This could lead to a reduced number of places for Australian students and an increased number of places for overseas students in these types of courses (Submission No. 58, pp. 8-9).

Displacement can also occur in a more subtle way. J D B Miller writing on behalf of the Academy of the Social Sciences in Australia noted that:

Over-crowding in classes, recruitment of inexperienced staff, concentration upon demand as expressed in monetary terms, switching of resources to topics and disciplines which seem to produce immediate rather than long-term benefits, can all result from eagerness to benefit from a form of income such as fee paying overseas students can provide (Submission No. 16, p. 2).

Displacement can therefore be manifested in several ways. At one level there can be little displacement in aggregate, because the number of domestic places is determined by DEET. This point was made by a number of participants.

However, it is highly likely that some domestic students are prevented from undertaking courses that they would choose to do (and are provided places elsewhere) because we have a policy of exporting education. Moreover, there is also evidence of resource displacement in the form of reduced quality of course provision. This also would increase over time.

Under these circumstances, providing places to overseas students does have an effect on the structure of courses, and on the options available to domestic students. However, as noted earlier, the extent and nature of displacement is reduced by requiring overseas students to have higher academic qualifications than Australian students in the same course.

What are the supply constraints?

Why then do popular courses not expand to meet the excess demand? To some extent, this does occur. However, when popularity depends on the qualities of exceptional teaching staff, demand runs up against capacity constraints. In the short to medium term, spatial restrictions on inner-city locations can also constitute a constraint.

In addition there can be physical restrictions on capacity arising from the fact that capital works projects are determined as a separate process from operating grants. Many institutions reported themselves short of appropriate teaching and residential accommodation.

Investment decisions are best made by a comparison of likely income (brought to a current value) with the cost of investment. Because universities have not previously had income from fees over which they had control, and because investment funds have been allocated centrally, such comparisons are likely to have been undertaken imperfectly if at all. In addition, a limited budget has probably prevented worthwhile investments being undertaken. In a world in which universities could rely on a future stream of fee income, they would have been able to borrow to provide the necessary facilities for the students they anticipated. Instead, capital shortages are becoming apparent which are partly responsible for inflexible responses to overseas student demand and possible adverse consequences for domestic and overseas students.

Inflexibilities in the labour market for academics are also important. Academic salaries are, with some limited exceptions, uniform and unrelated to market demand. This may tend to result in high quality teachers in disciplines for which demand for graduates is limited, and lower quality teachers in disciplines in which suitable graduates have higher paid alternative employment opportunities. Tenure also reduces flexibility.

Universities may not be able to appoint staff for want of suitable applicants in disciplines for which there is strong demand for teachers. Sometimes the reason that universities cannot expand courses is not that appropriate teachers do not exist, but that they cannot be attracted into teaching from other professions because of effective salary limits which are too low. Accounting and computing specialists are often mentioned in this context.

As discussed above, one recurring theme is that institutions' administrative practices do not always inspire confidence that incentives to provide resources for courses in demand are transmitted to the appropriate level. This may limit the capacity of institutions to respond to changes in relative demands for courses.

Can marginal displacement benefit Australia?

If resources to supply foreigners come from outside the currently defined education sector then there must be a strong presumption that gains to Australia exist when institutions cover the costs of those resources with fees. Certainly this form of production for export is not obviously less valuable than that in more conventionally recognised export industries. Such a rationale is clearly behind guidelines issued for institutions by DEET which purport to require the charging of full average cost - in essence, fees should be sufficient to cover all costs, thereby avoiding displacement of a resident.

Can there be net benefits if the international student is accepted only at the cost of the quality or quantity of education for Australians?

The benefits to Australia of educating a resident are commonly thought of as comprising a benefit to the individual and a benefit to others in society through changes in that individual's behaviour.

The private benefits come from any enjoyment that the individual obtains from the process of being educated and from the augmented earning power that education can confer. Some social external benefits come from the benefits received by all from living in a more educated society. Such things as an increased level of tolerance in society, the communication of flexible attitudes to technological change and improved voting decisions are often mentioned in this context.

While numerous studies have attempted to measure the private benefits of investment in education, it is almost impossible to put a money value on such things as the value of living in a society containing more or less educated people. The measurement of the cost of displacing a domestic student is therefore always going to be difficult.

In principle, however, there can be little doubt that in some circumstances net gains can occur even when there is displacement of domestic students. For example, it is not difficult to conceive of a particular course offered in Australia for which overseas demand was very high and which could command a significant fee premium. An example might be one which imparted particular skills which were highly valued in local labour markets in a foreign country.

If servicing the foreign demand were to mean that some Australian students were displaced to courses which they saw as relatively close substitutes (perhaps because of different labour market conditions in Australia) there might be very little loss of welfare by Australian students in exchange for a large gain in fee income.

On the other hand, there will also be situations in which displacement does cause net losses to the Australian community. In these cases Australians will be made significantly worse off by the next best alternative to the loss of a place caused by the acceptance of the overseas student.

Similarly, if quality resources are required to be spread more thinly as a result of the intake of overseas students, domestic students can also be made worse off. Again, however, Australia does not necessarily lose in all such cases. At times the loss to Australian students may be small, and the gain in revenue large. The final position will depend on particular circumstances.

It is therefore very difficult to determine, other than on a case-by-case basis, whether displacement effects on domestic students are beneficial.

Under existing arrangements for domestic students, one measure to reduce displacement by overseas students is the DEET minimum fee. The setting of a minimum fee can, however, be undesirable if it prevents the charging of low prices at times of excess capacity. By definition, if there is excess capacity there can be no displacement.

However, in the long run, capital costs are an essential element of fees. A continuing presence of overseas students requires buildings which have to be built, maintained, and replaced. The employment of land in servicing overseas students involves forgoing rent that could be earned if it were turned to other purposes. It is not in Australia's interests, nor the interests of institutions, to offer services to foreigners at prices less than the cost of provision, unless there are significant external benefits.

- *The minimum fee requirement*

The minimum fee is supposed to represent the long run cost of provision. In the long run institutions have little incentive to charge an amount less than the full cost of provision because they would then actually lose from catering to foreigners. Consistent with this, most institutions currently charge above the minimum. It follows that from the long run perspective there should be little to be lost from abandoning the minimum fee, and something to be gained if institutions could lower prices in times of excess capacity.

In the short run, however, without the minimum fee, there is some possible scope for undesirable displacement. One reason for this is that the marginal subsidy for a domestic student under current arrangements is based on recurrent costs only. With capacity in place, institutions would usually be able to generate more revenue from a foreign student because world market prices for education could also be expected to incorporate a component to recover capital and other costs. This inherent bias towards overseas students might generate some undesirable displacement of domestic students from courses popular with overseas students.

The most favourable circumstances for eliminating the minimum charge for overseas students would therefore be those in which institutions had the same financial incentive to take domestic students as to take overseas students. As has been noted, one way of doing this would be to allow institutions to set charges in the context of a given Government subsidy and to respond to market signals reflecting the returns available from provision of additional places in particular faculties.

Even in the absence of such broad reform, however, the Commission would still favour the elimination of minimum charges for overseas students. Some clear benefits accrue from use of excess capacity.

At the draft report hearings, universities expressed broad support for the proposal that minimum fees for overseas students be abolished. The AVCC said the decision to remove minimum fees for overseas students:

... will allow institutions to make decisions on fee levels based on real cost benefit analyses which, in the case of postgraduate students, will ensure that the Australian research effort can avail itself of this valuable resource (Submission No. 177, p. 3).

In contrast, DEET argued that the proposed recommendation:

... amounts to a proposal that overseas students be cross-subsidised by Australian tax-payer funds dedicated to funding places in public institutions for Australian students (Submission No. 158, p. 18).

However, this is a misunderstanding of the Commission's view, which is not to advocate cross-subsidisation, but to argue that a level of fees which is less than full average cost may still adequately meet the cost of educating an overseas student. Indeed, DEET seemingly accepts that where costs are below full average cost, the institution would be entitled to remit funds to the student (Transcript, p. 1 079).

Monash University maintained:

... there may be reluctance to reduce fees by any marked amount in view of departmental/faculty demands for funds to meet their costs (Submission No. 140, p. 7).

Some participants argued for maintenance of a minimum fee on the grounds that it safeguards against the displacement of domestic students. This was the position held by the La Trobe University Students Representative Council (Submission No. 175, p. 6). The Council also argued that institutions should not have as much freedom as they now do to raise prices above that minimum.

The Commission argued earlier that, while in an overall sense there can be no displacement of domestic students, the presence of overseas students may displace Australian students from particular courses which they would otherwise take, and may affect course quality. This is not necessarily undesirable in all cases. If institutions were given freedom to set fees for overseas students without restriction, it may be that more such displacement would occur. However, the risk of this occurring in the short run appears minimal, given that large numbers of institutions now charge above the minimum fee.

Gains will come through freedom to set prices for excess capacity courses correctly. It may be advantageous, for example, for a course with significant excess capacity to price as low as marginal cost. In contrast, where there is no excess capacity, and this appears to be the case in many courses at present, a higher price is more appropriate. The setting of prices from year to year should be a matter for each institution to decide for itself, taking account of the particular circumstances within each of its faculties or schools.

The Commission notes that the minimum fee is not a binding constraint in all cases, although it is perceived by institutions as such. **It recommends that institutions no longer be required to set minimum fees for overseas students.**

Benefits of overseas students

The presence of overseas students has other effects on the education of domestic students.

One is in the range of courses that can be offered with expanded student numbers. All courses need a critical mass of students to justify certain minimum teaching and administrative resources. With total numbers of domestic students constrained by the level of government funding under current arrangements, students from other countries can help to boost numbers to levels necessary to justify some courses.

The Garnaut report noted that:

The education of foreign students in Australia provides the economic benefits of an export industry. But it does much more than that. It increases the range of courses that it is economically feasible to provide in Australia, and so improves the services available for Australians. It builds close interpersonal and institutional links that are important in economic, political and cultural relations with students' home countries. And it is an important means of familiarising young Australians with their East Asian environment. These benefits beyond the immediately economic value of the industry, are greater for tertiary and especially postgraduate training (Garnaut 1989, p. 255).

Overseas students have tended to favour those courses in high demand by domestic students. Nevertheless, the growth of the overall number of students, even in these courses, results in the employment of more staff members with different research and teaching interests. In itself this cannot reduce, and in any balanced assessment must increase, diversity in the teaching offered.

Domestic students can also benefit from the cultural mix of students from other countries. Interaction of Australian students with those with different approaches to learning and life is seen as an advantage by many teachers and students.

By far the biggest advantage of overseas students to educational institutions, however, is seen to be the net additions to institutional funds which can be applied to domestic students. It seems clear that institutions are generally charging fees which exceed the short-run (and probably long-run) costs of teaching overseas students. The revenue is seen as a way of making up for claimed real reductions in resources for domestic students.

These resource reductions are of real concern to institutions. In addition to the constraints on funding of capital projects, and changes to the way in which research is funded within universities, the real level of funding for operating costs has declined in recent years.

Dr R Birrell and Prof T F Smith said that:

There has been a decrease in the funds allocated by the Commonwealth Government (in real terms) per Australian student enrolled over recent years. The latest manifestation of this can be seen in the Government's financing of the extra 40 000 places (a 15% increase) promised over the 1988-1991 period. This has been accompanied by only 9.5% additional funds (Submission No. 26, p. 1).

Another major factor influencing the financial health of a number of institutions was the decision in 1986 to end the overseas student subsidy. This led to a significant fall in the incomes of a number of institutions during subsequent years. La Trobe University said that:

La Trobe's recurrent grants could be reduced by as much as \$4 million (in December 1987 dollars) over the period 1990-1992, as a result of the reduced number of subsidised students (Submission No. 58, p. 5).

It seems clear that revenue from full fee paying students can and does provide a surplus which can be used to the benefit of domestic education. As has been noted earlier, however, the distribution of those funds differs widely among institutions. In some cases the discipline offering the course to foreigners keeps the lion's share of the fee, in others it gets almost none.

This raises some important questions. Clearly the maximum incentive to attract foreigners occurs when faculties keep a large proportion of the fee. When this happens it is domestic students in that discipline who benefit in terms of better resources and teachers. Whether these are the domestic students most deserving of improved conditions and whether there are better ways of responding to deficiencies in the provision of domestic education remain open questions.

However, if faculties are not given access to a reasonable proportion of the fee, incentives to develop the overseas market are reduced.

All this suggests that problems remain with the use of sales of education to overseas students as a way of overcoming domestic resource constraints.

If it is necessary to overcome supply constraints in valuable courses, should it not be happening whether or not there are overseas students? It might also be asked in these circumstances whether improvement in particular courses is necessarily the best use of this 'monopoly' revenue, or whether there are higher valued uses for it.

8.5 Effects of arrangements on overseas students

Admission standards for Australian universities require overseas students to have similar or better levels of achievement than domestic students. This is a university, rather than a regulatory, requirement. It has been introduced, in part, for perceived equity reasons.

However, the number of university places available to Australian students is effectively rationed. This occurs because there are limits to Government funding, because for most courses universities are not permitted to enrol and charge fees to those Australian students who are below the standard necessary to obtain a Government-funded place, but still above the minimum acceptable standard, or because current charges are too low.

Together these policies mean that there is a de facto limit on the number of places available for overseas students. Moreover, the size of this quota will be heavily influenced by the level of demand from Australian students. As this demand rises because of, for example, a weaker employment market, tertiary entry scores will also rise if an equal number of new places is not

provided by the Government. Demand is expected to continue to rise, thus rationing places to those domestic students with higher tertiary entry scores; it will also restrict overseas student entry to those with similar high scores.

From the point of view of the overseas students, this practice places a barrier between them and the course of action they wish to pursue. It may cause them to seek education in other countries with more accommodating policies. From Australia's point of view it causes loss of potential exports. We are not obtaining as many overseas students as we could. We are therefore turning down export income.

One approach would be to drop the current admission standard which requires domestic and overseas students to have similar entry standards, which are above a minimum acceptable level. This would allow greater numbers of academically acceptable overseas students to be enrolled.

At the draft report hearings, some participants argued against such a practice, suggesting that it would drive a wedge between higher qualified Australian students and lesser qualified overseas students. They were concerned about upsetting the current balance between these groups, and the possibility of resultant antagonism. Some institutions already maintain de facto quotas on the numbers of overseas students, seeking to limit their numbers in total to something like five to ten per cent of total university places. They saw social and educational dangers in increasing this proportion significantly. The Commission also notes that enrolling any qualified overseas student would highlight equity concerns, as these overseas students would have access to university places for a fee while better qualified Australian students would not have such access.

Notwithstanding the perceived equity issues, DEET agreed that universities should accept all qualified overseas students for whom they have a place. It recognises that - as a consequence - equally qualified Australian students would be precluded from studying at a public university under current policy (Submission No. 158, p. 8 and Transcript, p. 1 053).

Another approach would be to permit institutions to enrol Australian students who met entry standards but did not have a sufficiently high score to qualify for a government-funded place. Similar overseas students could then also be enrolled, in a manner which avoided some of the concerns raised above. In the absence of additional government funding, this could involve charging for courses. This option is discussed later in this chapter.

Acceptance of overseas students of a lower academic standard, some of whom will fail, could leave universities open to the charge of attempting to exploit students unacquainted with Australian requirements. Against this, it can be observed that the students being considered here are those that already meet Australian entrance standards. The reason that they are not being admitted is that they fail to match the standards of those Australian students who both meet the entrance standards and

qualify for a place funded under the prevailing budgetary conditions. An institution which did pursue a policy of admitting students irrespective of their aptitude would be likely to have to contend with a discriminating foreign market which questioned either the value of the degree (if such students eventually passed) or the value of paying substantial course fees (if such students eventually failed).

Overseas students would be likely to welcome a policy that eased restrictions on their entry to courses. Universities would find it attractive to have their potential export market expanded.

The Commission recommends that universities be encouraged to change their policies so as not to exclude acceptable overseas students for whom they have capacity.

The resultant equity concerns for Australian students now denied a place are discussed below.

Implications for Australian students

As noted above, there is excess demand for places in Australian universities from overseas students who meet acceptable minimum standards for entry, but who are denied a place because of requirements by institutions that they have the same academic standard as domestic students. Allowing acceptable overseas students to purchase a place, as the Commission has recommended above, would expand export opportunities for universities. However, it would also sharpen the inequity for those Australians who are denied entry because of Commonwealth budget constraints and who are also prevented from purchasing a place.

The current situation of excluding Australian students who may be willing to pay the same price as international students has a number of anomalies. At the broadest level, some see it as a serious inequity that overseas students may buy their way into courses, but Australian students may not.

A specific anomaly arises when Australian students may purchase a place in a course offered by an Australian university abroad, but not in Australia. The Royal Melbourne Institute of Technology (RMIT) operates a number of courses offshore in Malaysia and Singapore. These courses are primarily aimed at those overseas students who wish to earn a RMIT degree. It may be feasible, however, for an Australian student to travel to Malaysia as a full fee paying student despite not obtaining a place in Australia and being unable to purchase one. While the restriction on Australian provision may improve Australia's apparent success in exporting education, it is unlikely to be welcomed by many students in this category who would find themselves deprived of family support while undertaking their degrees and liable for significant travelling costs they could otherwise avoid.

There is another facet to the restriction on domestic students purchasing places in Australian institutions. The Australian Institute for University Studies in Perth offers study programmes leading to degrees from Curtin University and London University. However, as Curtin is a Commonwealth-funded institution, the Institute is not permitted by the Commonwealth to enrol full fee domestic students for courses which are, in effect, part of an onshore twinning arrangement with Curtin. These courses are effectively seen by DEET as part of a Curtin course being sub-contracted to a supplier off-campus. Because of this, the Institute may not enrol domestic students who satisfy its entrance criteria, even though overseas students with lesser academic standing can be admitted. It is possible that this discrimination is contrary to, at least the spirit of, *the Racial Discrimination Act 1975*. (On this point see DEET Submission No. 189.)

Possibly to overcome the restrictions faced by domestic students, the Institute also offers an identical course, leading to an advanced diploma, to both domestic and overseas students. However, while the course which forms part of the twinning arrangement with Curtin gives overseas students guaranteed access to Curtin at the second year level, the diploma graduates have to compete for available places.

However, these examples aside, it remains the case that the major source of inequity is that overseas students are permitted to purchase places in Australian higher education institutions while academically acceptable Australians who are not eligible for a Government-funded place are excluded altogether.

This prohibition raises a number of other issues which fall outside the terms of reference of this inquiry. In part, these have been highlighted during the current inquiry because a market-oriented sector has been grafted onto a large, government-funded sector. Through its focus on overseas student programs and how these impact on the domestic sector, the Commission has become aware of a number of areas in the domestic education sector where tensions are still to be resolved. Foremost among these are the demand for higher education places by domestic and overseas students, the funding of the higher education sector, the relationship between universities and TAFE colleges and the role of the HECS.

The following section briefly reports the Commission's current understanding of some of these issues. It notes a number of possible approaches to the problems identified, and their advantages and disadvantages. The discussion does not purport to address all of the problems raised. The Commission considers that a further public inquiry with broader terms of reference would be needed before firm proposals could be formulated. The section ends with a discussion of what such an inquiry might cover.

8.6 Could scarce places be allocated better?

The Australian higher education system has been evolving gradually towards a system in which market demand can play a larger role in the allocation of places. The current state of this evolution has been tested by the selling of places to overseas students. In general it has worked well, but it has highlighted other problems in the higher education system.

In particular, this report has necessarily touched on a number of issues concerning the way in which resources are provided to the domestic higher education sector, how the supply of places is determined, and how demand is matched with those places. The inequities between domestic and overseas students, and between different groups of domestic students, arise from how these issues are being resolved now. The key question is whether there are better ways of doing this.

The number of domestic places funded in total is set by DEET funding, which means that there will be a defined number of places for domestic students, irrespective of the number of overseas students. Restrictions on the number of government-funded domestic places have their primary impact on those academically acceptable Australian applicants who miss out on a place, although, as this report has noted, they are also used as a reason to restrict the number of places for overseas students. Investigating how to obtain places for more Australian students, or at least those who value a place most highly, should lead to a better meeting of the demands of both Australian and overseas students.

In its draft report, the Commission proposed that academically acceptable domestic students who miss out on a government-funded place be permitted to purchase a place in competition with overseas students. The possibility that this might be facilitated by using a HECS-type scheme or alternative lending arrangement to cover the cost of the course was also discussed. This proposal attracted some criticism from participants, most of whom argued instead for greater Government funding of places.

Presumably only those students who valued a place in a higher education institution highly enough to pay the full cost (to be determined by the institution) would have taken advantage of such an option. Nevertheless, the Commission sees this as a short-run measure to provide more options to currently excluded Australian students ahead of a broader review of higher education funding, which the Commission considered it could not do with its current terms of reference.

The Commission accepts that the proposed recommendation in the draft report may not have been preferable in the longer run (perhaps because of the possibility that the affected students could be paying more than they should), but it considers that its costs were potentially less serious than those inherent in the current arrangements (under which they are not allowed to purchase a place). Nevertheless, in the expectation that the Government would wish an urgent, thorough review of the current arrangements, it will not recommend this proposal. It recognises that there are short-term costs in continuing to preclude Australian students (whose numbers are growing), but considers that they could be borne while the proposed review is underway.

In the absence of such a review, the Commission suggests that the costs to Australians of continuing to preclude qualified domestic students from universities would warrant urgent attention. In these circumstances, the Government should address the question by implementing immediately one of the more acceptable options discussed below. Depending on which option is selected, inequities and inefficiencies may remain or be created. Inevitably this will require a review at some future time.

There are a number of issues which need to be confronted in such a review. These include deciding on what should determine the size of the Government's contribution to higher education, and how that subsidy should be delivered. The size of the subsidy should be somehow linked to assessments of the external benefits to Australia which the Government sees as arising from the subsidisation of higher education. And by implication, the private costs and benefits to the student, in the form of forgone earnings and future salary respectively, would also need to be taken into account.

- *Increased government funding*

Many participants argued that the Government should simply fund extra places along the same lines as existing students are funded, that is, with the Government financing the needed places and the student contributing through the HECS. Student organisations such as the Curtin University Student Guild, the National Union of Students and the National Liaison Committee for Overseas Students argued along these lines. The Federated College of Academics, Federated Australian University Staff Association and Union of Australian College Academics expressed the same view (Submission No. 160). The AVCC argued for additional funding of places, but said it did not expect that all of those who missed out should be given a place.

This viewpoint implies that the current level of government funding provided to higher education is too low. Under the argument that the level of government funding is intended to approximate the Government's assessment of the external benefits to Australia as a whole of higher education, then this implies that resources allocated to account for those external benefits is inadequate.

This is an expensive approach, particularly if it is argued that the Government should continue to fund all acceptable students at current rates.

Moreover, an argument for an increased number of places funded at current levels also implies that the current price to students, in the form of the level of the HECS and the nature of its payback mechanism, is correct. Put another way, it implies that the HECS accurately reflects the private costs and benefits of higher education to the student.

- *Charge up-front fees to non-funded domestic students*

An alternative approach might be to give institutions greater freedom to admit non-funded students on whatever terms they see fit. Presumably this would mean charging a fee based on the cost of providing the course and this would be expected to differ as between institutions and courses.

One approach would be to allow the charging of full fees to be paid up-front. This might be associated with loans schemes, which could either be purely on a commercial basis, or publicly-subsidised. The benefit of up-front fees schemes is that there are low, or no, short-run government outlays. The costs include: the repayment of the loan not being contingent on individual circumstances, and therefore not necessarily including an insurance component; and collection problems, given overseas experience of high default rates.

This approach has the advantage of giving a relatively high weight to course costs and student demand, at least for those applicants now excluded. It also removes the inequity of excluding Australians willing to pay for a place while accepting a foreigners willing to pay.

However, from the point of view of domestic students, the introduction of a full fee paying option would undoubtedly produce some inconsistencies of its own - some domestic students would be paying only the HECS while those with lower tertiary entrance scores would pay much more.

It may be true that wealthy students, or students with wealthy parents, will be more likely to take up the opportunity to pay full fees for their university education. Wealth provides greater access to goods and services. However, other students too could be given an opportunity to attend university by borrowing on commercial terms against expected future income. A key point is that such a policy would provide an option to some students which is not currently available. The AVCC took the view that:

... if the Government cannot provide the necessary resources to fund higher education at a level which would enable all qualified students to be admitted then the existing restrictions on charging fees to students should be removed (Submission No. 80, p. 7).

The introduction of some fee mechanism for the additional domestic students who currently are not enrolled would not, in itself, directly disadvantage those students currently given places through government funding. The total pool of places funded by the government need not be affected by this measure. The incentives which universities might have to supply places to domestic students on a cost reimbursement basis would, however, be strong. As with the introduction of full fee places to foreigners, there may be some concerns about indirect effects on course quality through class crowding etc. There would also be indirect benefits for current domestic students akin to those which fee paying overseas students provide.

A further point is that the possibility would arise that full fee domestic students might displace HECS students from popular courses. The Curtin University Student Guild also argued that giving universities a charging option might provide an incentive to under-enrol (presumably at a cost of reduced government funding), because universities could subsequently pick up additional students on a full fee basis.

Any suggestions for full up-front fees for currently excluded students needs also to take account of a number of other factors:

- some persons denied access to funded places under current arrangements would continue to be denied because of borrowing constraints. Special access by way of scholarships or similar mechanisms may be required;
- whether or not full fee students who were successful in their first year might not be government-funded thereafter would need to be considered. (Perhaps the converse question is whether poorly performing government-funded students might be required to pay for their second year.) Decisions on these matters would have implications for the level of government funding and/or the number of new places allocated in the subsequent year;
- if the current arrangement whereby universities do not pay rent to the Government were to continue, this approach would advantage those in the best localities, such as those close to the central business district in the capital cities. Any system in which institutions have the flexibility to set charges needs to take this into account.

Essentially, this proposal would give institutions greater scope to respond to demand for places by domestic students (and would more readily permit acceptance of academically qualified overseas fee paying students who are currently denied a place). The expansion of domestic places would be funded by the fee income, which should, for resource allocation reasons, remain with the enrolling institution.

What the effect of such an approach would be in practice is not clear. For those who miss out on a Government-funded place, strategies other than paying full fees are likely to be taken up, as they are now. Some may repeat year 12 in the hope of improving tertiary entry scores sufficiently to get in the following year. Others may go to TAFE colleges. Many may simply seek work, perhaps later to reapply as mature age students. Some participants argued that these applicants already have the opportunity to pay full fees and obtain a place at one private university but have chosen not to do so, the presumption being that they were unwilling to pay full fees. To the extent that this is correct, the impact of this approach on new enrolments would be small.

If adequately qualified but currently excluded domestic students were permitted to pay fees and attend university, there may well be more questioning of the basis of the large subsidy currently given to funded domestic students and its apparently arbitrary nature.

Charge full fees but provide HECS payback facilities

A modification of the above approach might be to give institutions the right to charge fees, but for the Government to fund such places, recovering the debt from the student through the HECS.

In this way, repayment would be through the tax system, with repayments being contingent on personal income, as is currently the case with HECS. The benefit of such an arrangement is that the equity basis of income-contingent payment of HECS would apply to the new group covered. Full recovery of the cost of the fees through HECS would, however, involve a higher nominal average charge per student than is the case for full up-front fee payment. The additional amount would be needed to cover the costs of those whose income was not sufficient to repay fully their loans, and the real interest cost of the funds implicitly advanced by the government.

If this approach were adopted, it would require the Government initially to fund places (directly to the institutions or via students) in anticipation of the subsequent collection of revenue through the taxation system. In the short run the Government would need to find additional funds in the Budget, although the approach could be designed to be revenue-neutral in the long run.

Relative to full up-front fees, this approach would involve greater costs in the short run for the Government. However, it would preserve many of the benefits of an approach based on up-front fees, but with higher protection for the individuals concerned, implying greater progressivity. Importantly, either arrangement for currently excluded prospective students would be preferable to not allowing this group to purchase places.

Moreover, because under a HECS scheme individuals repay their fees only when they are earning salaries above a particular threshold, the nexus between parental income and access to higher education is broken in a way that an up-front fees scheme cannot achieve. Repayment is contingent on the student's future income, rather than the parents' assets and/or current income. This improves access to higher education generally. It also suggests that there would be less need than under an up-front fees regime for an additional scholarship scheme for groups such as those currently on low incomes.

Vary the HECS charge to meet unmet demand

Support for government funding of higher education is underpinned by the view that this activity generates benefits to Australia over and above the private benefits, such as higher lifetime earnings, which accrue to the student. Determining the relative importance of 'external' and private benefits is not straightforward. The Commission did not reach a judgment on this matter in this inquiry. But such a judgment must underpin a view of the correct level of government funding.

Those who advocate government funding of all qualified persons who desire university places are in effect implying both that the amount of Government subsidy to higher education is inadequate and that the HECS is set at the right level to recover from students the private benefits that students obtain from education.

An alternative view is that HECS is currently set below the level of private benefit. If this were true, the unmet demand could be reduced by increasing HECS, perhaps to a level at which excess demand is reduced to zero.

In this connection it should be noted that the current HECS gives little weight to student demand or to the cost of courses. A uniform HECS is difficult to justify on economic grounds (a point also made by the Wran Committee), as course costs vary considerably. Under current arrangements, the HECS recovers roughly 40 per cent of the DEET recurrent funding levels for an accounting course, but only 15 per cent for medicine. It may be more efficient (and equitable) for the HECS charge to be directly related to the cost of providing a course.

Again, however, any such approach needs to be considered in the context of a judgment about, first, the total level of government funding, and second, how that funding is delivered to students and/or institutions. Addressing the HECS in isolation might increase the total level of resources available to the sector, and may lead to some improvement in the efficiency of resource use. But there are a number of other problems noted in this report which will not be solved only by changes to the level of HECS, even where they reflect students' benefits or take account of course costs.

- *Approaches based on vouchers*

The above policy suggestion does not explicitly give weight to the possible importance of price flexibility. Some commentators (for example, Karmel and Arthur 1991) argue that a more efficient system would allow generally greater price flexibility. There is no reason why such an approach could not be developed using the HECS payback mechanism, to preserve the benefits of this policy. There are advantages - in terms of resource allocation - if institutions were free to set their own prices and determine the number of places to be offered, taking account of both costs and demand.

For example, the Government might provide vouchers, redeemable at any institution, to all qualified students, with the amount of the voucher set at a rough estimate of the valuation of the external benefits of higher education to Australia.

If the student purchases a place in a particular course, he or she would then pay the institution with the voucher, redeemable immediately from the Government, and be liable for the difference between the course fee and the value of the voucher. This difference would be provided to the institution by the Government in the first instance, and then recovered from the student by way of HECS in the usual way.

These issues have wider applications

Under current funding arrangements there are inequities between different groups of Australian students. Most significantly, those students with tertiary entrance scores high enough to obtain subsidised places receive subsidies worth many tens of thousands of dollars, while students with fractionally lower scores must give up university aspirations.

For those who are successful in obtaining a place, current HECS rules mean that they all pay broadly the same annual fee, irrespective of the cost of the course or its value to them. Moreover, the value which a student places on university entry is not taken into account in the system of allocation of places to domestic students. Mature age entry and other special categories aside, entry is primarily determined by tertiary entry score. However, it may be that some academically acceptable applicants who fail to obtain a place value university entry more highly than some successful applicants. This would be influenced by factors ranging from expectations of higher lifetime earnings to the desire for further education for reasons other than earnings.

For goods and services for which a private market operated satisfactorily, such factors would be reflected in the price which a buyer was willing to pay. Apart from forgone earnings, the nearest thing to a price for domestic students in higher education is represented by the charge and the payback mechanism which comprise the HECS. In general, the role of a price is to ration the goods or services concerned to those who value them most highly, and to give signals to suppliers about what is in demand. Price and quantity adjustments are the outcome of transactions, and they resolve any questions of 'unmet demand'.

However in discussions about education, most of the focus is on quantity adjustments only, that is, on how to get more students into the sector by way of the Government providing more funded places, or how to shift some students to other areas such as TAFE. These questions have been brought to the forefront by the over-enrolment in higher education this year of 14 000 students for whom institutions receive no funding, and the AVCC estimate that there another 20 000 to 29 000 academically eligible applicants who were unable to obtain a government-funded place this year. Some see these matters as requiring a judgment to be made about whether there is an optimal size to the sector, either in terms of the Government's contribution, or in some absolute sense. At the draft report hearings, DEET said that over-enrolment and the apparent continuing levels of unmet demand were causing the question of the optimal size of the system, and whether it should be as big as demand, to be considered:

... there is a fundamental issue to do with unmet demand ... it is to do with broader issues of higher education in this country. The real question we ought to be focusing on ... is what is the optimal size of the higher education system in this country if it is going to be financed by the public purse (Transcript, p. 1 047).

DEET added that an important consideration in assessing the level of excess demand for tertiary places was the degree to which the TAFE sector provided an alternative. Equally, the Australian National University said:

... perhaps the Government should be directing its funds to the TAFE area to perhaps cope with those students and within the university system they might really look at the issue of whether in fact we are getting the right mix of student demand being met by available places in the institutions (Transcript, p. 604).

A more interesting question is the extent to which the TAFE sector might overlap with the university sector, as for some students in some courses it seems likely that the one is a substitute for the other. Also interesting, particularly in that context, is the effect of having different pricing structures and fee income disbursement rules between the two sectors.

Where to from here?

The key message in the above discussion is that there are a range of efficiency and equity issues to be taken account of, and judgments about tradeoffs that need to be made. While the issues have been raised in the context of the allocation of places between domestic and foreign students, it is clear there are important principles at stake which relate to the allocation of resources to tertiary education as a whole.

On the basis of what the Commission has learned so far, some necessary features, in one form or another, to be considered in the allocation of resources to education include:

- allowing government funding to be provided in a form which would fully or partly meet the immediate costs of the fees charged to students, with any amount for which students were personally liable possibly being collected through the tax system as is currently the case with HECS; and
- allowing institutions to set their own prices for courses which reflect scarcity value and costs of provision.

If the amount a student could bid for a place better reflected both the value to society of the education (through the government subsidy) and the value to the student personally (through any premium paid over and above the subsidy to secure the place), outcomes would better reflect the costs of providing courses and the demand for those courses. Institutions could be expected to make an allocation of scarce places in a way that maximised the benefit to Australia. As part of this process, the net benefit to an Australian student would be correctly compared with the value from the sale to an overseas student. Importantly, both price and quantity adjustments would have a role to play. This would lead to efficiency gains which would benefit the institutions, the students and the taxpayer.

As part of this process, concerns about access and equity can be accounted for in different ways. In part these can be picked up by the use of income-contingent repayments, such as the HECS provide. These facilitate access by those who would have difficulty in paying or borrowing up-front fees - repayment would be made down the track through the taxation system. Where there is thought to be a case for assistance to specific groups which access to HECS facilities will not provide adequately, the emphasis ought to be on carefully identifying such needs, and providing targeted assistance. Scholarships may be the most appropriate response in such circumstances.

The Commission believes that without moves in these directions, the allocation of higher education resources will always involve inconsistencies and losses of welfare. It recognises, however, that to identify problems and to endeavour to solve them would involve major changes and significant implementation issues. Arrangements to make this feasible would require more study than the current inquiry permits.

- *a public inquiry is needed*

In its draft report, the Commission proposed that a further reference be sent to it in which the allocation of resources for the domestic higher education sector generally be investigated. It was concerned that this report had touched on a number of broader issues in examining the export of education, but felt that further work on these broader issues was inappropriate without wider terms of reference.

At the draft report hearings there was some opposition to this proposal. Some opposition was based on a misunderstanding of what the inquiry would cover. Some universities and their representatives interpreted the proposal as advocating an inquiry into the internal workings of universities, rather the review of the broader issues of funding of the higher education sector that the Commission envisaged.

DEET argued against a further inquiry by the Commission on the grounds that sufficient reviews, including the *White Paper* and the Wran Committee inquiry (both 1988), of the higher education sector had already been undertaken. It also said that, if an inquiry was judged to be necessary, it would be better carried out by a body such as National Board of Employment, Education and Training (NBEET):

... which could deal comprehensively with the education and training system and employment programs (Submission No. 158, p. 19).

The Commission's concern is that there is a need for a public inquiry to determine what arrangements would be most appropriate for the provision of funds for higher education, including the mechanisms by which this might be achieved. It does not accept that previous inquiries are sufficient: there has been clear evidence during the course of this inquiry that there are a wide range of inconsistencies, inequities and inappropriate incentives present.

On this point the Commission notes that there have been recent indications that the NBEET may be given a reference to inquire into the optimum size of the higher education sector. However, as noted earlier, public discussion thus far of issues such as year 12 retention rates, over-enrolment, unmet demand, the respective roles of universities and TAFE colleges has been dominated by concerns to find more places in the face of unmet demand, and to decide how to find the funds to achieve this. In this, those discussions mirror the analyses in earlier inquiries, in that issues relating to pricing, and to the integration of the TAFE and university sectors, are not adequately considered. To concentrate on adjustments to the quantity of students is to consider only part of the story; any review would also need to take account of questions such as those raised above concerning demand and prices. Put another way, it is not just a question of finding additional places, either within or outside the university sector, for unsuccessful applicants. The value given to a place by society and, importantly, by the student, needs to be part of the process of determining the availability of those places, and decisions as to how they are to be filled.

Thus the Commission sees the main focus of an inquiry as the means by which Government resources should be directed to the higher education sector, the need for a better matching of the demand by applicants with the availability of places, and the most efficient means of targeting assistance to meet concerns about access to higher education by disadvantaged groups. Foremost among the issues which should be looked at are the incentives to particular groups, the public and private benefits of higher education, how current funding mechanisms impede the efficient growth of the sector generally, and the pricing interactions between particular tertiary education sectors.

Conclusions

From the above, it is evident to the Commission that the current arrangements for funding higher education are flawed. The most obvious manifestation of this is the growing number of qualified Australian students who are unable to gain entry to Australian universities. A second issue, canvassed at section 8.5, is that options are available to international students but are not available to domestic students.

The Commission recommends that the Government accept the need to alter current arrangements so that qualified domestic students are not precluded from a place in public universities. It further recommends that a reference be sent to the Industry Commission on appropriate means to meet that need and to rectify the current system.

In the absence of such a reference, the Commission recommends immediate implementation of one of the discussed options which overcomes the serious problem that qualified Australian students who do not currently have a funded place are prohibited from public university study.

The Commission envisages that a longer time period than is usual for its inquiries, perhaps 15 to 18 months, should be provided for such a review.

9 TECHNICAL AND FURTHER EDUCATION

Many of the concerns raised in the chapter on universities are also relevant to the TAFE sector. However, while there has been substantial growth in overseas student numbers at TAFE colleges, overall they are still relatively small. As numbers rise, and as funding pressures affecting places for domestic students build up, many of the same issues now being experienced by universities will come to the fore in the TAFE sector.

9.1 Introduction

TAFE courses cover a wide range of vocational, preparatory and recreational programs, many offered on a part-time basis. TAFE colleges offer diploma, certificate or other award courses. A number also offer secondary (matriculation) courses and ELICOS courses.

State and Territory Governments were responsible for about 84 per cent of total TAFE funding of \$1.8 billion in 1989. The Commonwealth contributed about 8 per cent. TAFE colleges also received income from students' fees and charges (4 per cent), and from the sale of consultancy services and training programs within Australia and abroad (2 per cent). All States and Territories have now implemented arrangements to enable TAFE colleges to retain revenue from entrepreneurial activities.

Like universities, TAFE colleges have also been permitted to enrol full fee paying overseas students since 1986. However, in most States they did not actively market their courses to overseas students until about 1988. Nevertheless, TAFE colleges are making more efforts to attract overseas students, and the revenue they generate is increasingly seen as important against a background of government funding constraints and continuing high demand from domestic students.

9.2 Overseas students

Overseas students currently comprise a very small proportion of the 1.5 million students enrolled at TAFE colleges. The majority of overseas students are enrolled in award courses, including matriculation courses, although in some States ELICOS enrolments also represent a significant proportion.

The relatively small number of overseas students is reflected in the fact that in 1990 South Australia's 20 TAFE colleges had a total of 560 overseas students, Western Australia had 504 students and Queensland enrolled 320 students (an increase from 35 the previous year).

In contrast to these States, Victoria has the highest level of overseas students enrolled. In 1991 Victoria enrolled approximately 2 000 overseas students. Royal Melbourne Institute of Technology (TAFE), Holmesglen College and Swinburne TAFE have the highest numbers of students (700, 500 and 280 respectively). These high enrolment levels may be in part attributable to early marketing activities overseas and articulation arrangements operated within both RMIT and Swinburne.

The number of overseas students in TAFE colleges are expected to increase. For example, the New South Wales Government said:

The reorganisation of TAFE into the TAFE Commission will enhance its capacity and make it more market oriented and geared towards meeting the challenge of competition in the vocational education market. TAFE will seek to generate maximum economic benefit from its export of education strategy and will also try to link its marketing strategy with projects undertaken by the various development aid agencies (Submission No. 189, p. 1).

However, DEET cautioned that:

... the capacity of the TAFE sector to expand its role as a provider of education services for overseas students is constrained by its growing domestic role, as a consequence of award restructuring (Submission No. 158, p. 8).

A number of TAFE colleges are also looking to providing consultancy services to overseas aid projects and offshore provision of education. In New South Wales:

... education agencies envisage significant potential growth for customised short courses for offshore commercial customers, twinning arrangements, distance education and the sale of consultancy services and educational resources (Submission No. 189, p. 10).

Fees charged to overseas students

The way in which fees are charged to overseas students studying in Australia varies across States. In general there are no Commonwealth guidelines governing the level of fees TAFE colleges charge overseas students. In a number of States fees are set centrally. In those States where arrangements are less centralised, prices are set by individual colleges.

According to the TAFE National Overseas Network, which comprises a nominee of the Director-General of TAFE from each State or Territory, TAFE fees are generally set at a level which covers:

Direct tuition costs and salary on-cost; all non-tuition costs associated with course provision; all marketing and promotion costs; a cost factor in recognition of the particular facilities used, such as computing equipment, library resources, provision of student amenities (Submission No. 36, p. 10).

Most institutions also take account of fees charged by their competitors when setting fees for their courses. According to the Adelaide College of TAFE:

... real full cost recovery would price all courses totally out of the market. International demand for students is highly competitive and students place cost of course high on priority in making choices. A marketable price is and must continue to be the major determining factor in fee pricing beyond 'full average cost' if institutions wish to survive in the open international market (Submission No. 94, p. 3).

The TAFE National Overseas Network argued that individual institutions should have the right to determine course fees, so that factors such as the efficiency of the institution could be taken into account. They said that failure to do this would penalise the efficient institutions.

The New South Wales Government indicated that it:

... would be strongly opposed to Commonwealth intervention in fee setting by TAFE. Aspects of the pricing decision such as market forces, efficiency, costings, capacity, etc. should be left to the individual institutions to judge (Submission No. 189, p. 11).

Such pricing decisions would, however, need to be taken into account in the review of higher education discussed in chapter 8.

In Victoria, a TAFE consortium has been established to facilitate the marketing, recruitment and education of overseas students. Members of the consortium together with the State Training Board have agreed to set minimum fees which cover full average cost. These fees are based on cost studies undertaken by a Victorian TAFE. A number of institutions price above the minimum level, although the degree to which this occurs varies across institutions.

The South Australian Government is in the process of developing a uniform policy on the charging and distribution of fees within the TAFE sector. In Queensland and Western Australia, the TAFE system is closely administered by a central authority. The prices charged tend to be uniform between colleges, and there is often little price difference between different courses. This appears to be based on the view that TAFE colleges are not yet sufficiently well recognised overseas for them to be able to charge higher fees in some courses and lower in others. For overseas students, prices tend to be between \$6 500 and \$7 500.

Uniformity of pricing has a number of implications. For example, where demand varies between colleges for similar courses, there tend to be queues at high-demand colleges, such as those in city centres. Charging lower prices for those courses or locations where demand is lower, and the reverse where demand is high, will spread the demand in a manner more efficient than the current reliance on queues. However the ability to do this will depend upon the cost structure of institutions and any economies of scale available.

Revenues from overseas students

In those States where arrangements are relatively centralised, the distribution of full fee overseas student revenue is determined by the central authority rather than the individual TAFE colleges. Even in those States, such as Victoria and South Australia, where distribution of funds is currently devolved to the colleges, arrangements are being revised with the view to monitoring more closely the allocation of income.

Notwithstanding the small numbers of students involved, many TAFE colleges are increasingly conscious of the benefits from the income provided by overseas students.

Adelaide College of TAFE said it uses this revenue to offset declining government funding, adding that:

... a number of additional classes and programs for Australian students, affected by funding cuts, cannot be run without income contribution from the overseas students program (Submission No. 94, p. 8).

The South Australian Government said:

Under the financial arrangements operating in 1990, one college has advised that after all program costs have been met, over 100 class places for a full year (additional places and an expanded range of subjects) were provided from income received from overseas students. The total enrolment of overseas students for 1990 for the college in question was 35 (Submission No. 66, p. 3).

TAFE Queensland, the State authority administering TAFE colleges, argued that domestic students are the major beneficiaries of overseas student income. Seventy per cent of all revenue is returned to the TAFE colleges providing overseas students services. In a number of cases an additional \$500 per student is allocated to the college to encourage the provision of student services such as English tuition. The remaining thirty per cent is retained by TAFE Queensland.

TAFE Queensland said that the colleges, in addition to the distribution of revenue for additional educational and training opportunities for local students, also conduct:

... additional classes which would otherwise be uneconomic due to small numbers of Australians seeking to enter courses related to restricted job markets (for example, Travel courses) (Submission No. 8, p. 8).

It also said that endeavouring to satisfy full fee student demand had led to the:

... encouragement of entrepreneurial spirit in the search for new markets, and in the creation of new courses to meet local and overseas demands; and increase in flexibility and responsiveness of institutions to meet these demands (Submission No. 8, p. 10).

Getting the incentives right

One of the important influences on the incentives for colleges to recruit overseas students is the extent to which colleges retain fee income.

In Queensland, a large percent of revenue is returned to the colleges. Similarly, in Victoria and South Australia colleges are able to retain the income from fee revenue.

The importance of fee income accruing to the school or discipline level in establishing the right incentives as to how many domestic and overseas students to enrol was a matter discussed in the previous chapter in relation to universities. The degree to which TAFE providers are encouraged to enrol overseas students will depend on the internal arrangements for allocating funds within the TAFE sector.

As with universities, the processes by which TAFE colleges make decisions about enrolling overseas students vary among different institutions. In Western Australia a centralised model allocating funds is operated by the TAFE International Division. In this model:

... the TAFE system in WA decides that it will use most of the revenue from the overseas student program for whatever it perceives to be of value to the system, whether it be curriculum development, staff development, bricks and mortar ... so the incentive is there to the system as a whole and the system accesses that pool of funds by submission (Transcript, p. 502).

The range of administrative practices across TAFE colleges suggest that there may be a variety of ways to distribute resources to ensure funds are allocated appropriately. Nonetheless, as with universities, the incentive to enrol overseas students will be affected by the way in which fee income is distributed within the institution. In some TAFE colleges the incentives appear particularly weak. The risks are greatest in those States where overseas student fees are allocated as part of a central funding model.

Displacement

As with the university sector, the argument is put that, because courses recover full average costs, displacement is avoided. Moreover, again as occurs in universities, any criticism that domestic students are displaced is deflected by keeping entry scores higher for overseas students than for domestic students. A number of TAFE colleges said they are conservative in their assessments of overseas qualifications (they added it was hard to ascertain this since the program is relatively new).

However, Adelaide College of TAFE said:

... the competition among overseas students for the limited number of places reserved for them is not as intense as for Australian students due to funding constraints on available places, especially in highly popular courses such as Tourism and Computing. Australian students may therefore face more selective barriers to entry in screening procedures (Submission No. 94, p. 9).

9.3 Fees for domestic students

During the period 1981 to 1988, the number of domestic students enrolled at TAFE colleges has increased by almost 50 per cent (Deveson 1990, p. 92). This growth has been accompanied by changing demands from industry as to the range and type of service they require. The process of award restructuring will increase the pressures on TAFE colleges for the provision of training services.

TAFE colleges can charge domestic students

Before November 1990, TAFE colleges were restricted in the extent to which they could levy fees and charges on Australian students. As a result, a range of fees and charges emerged:

There are variations, discrepancies and inequities between States, between sectors and between providers in the application of the 'user pays' principle, the setting of fees, and the costing of training (Deveson 1990, p. 44).

According to the Deveson Report, the ad hoc application of fees was largely caused by the Commonwealth's *States Grants (TAFE Assistance) Act*, which required States and Territories to ensure that tuition fees were not levied for preparatory or initial vocational courses. The maze of charges was an attempt by some TAFE colleges to avoid direct confrontation with the Commonwealth legislation (Deveson 1990, p. 46).

Recreational courses were generally supplied on a cost recovery basis. For most vocational courses, fees represented only a small proportion of the cost of the course. Depending on the course or method of study, mainstream course fees ranged between \$20 and \$400 per annum, although separate material charges for courses often ranged between \$90 and \$500.

The Deveson Committee supported the charging of some fees to domestic students:

... the data do not, in the Committee's view, represent a case for a TAFE system which has no fees and charges. This would result in TAFE being entirely dependent on government funding for all of its preparatory and vocational courses. With the inevitable limit to public funding for education and training, this would result in a lack of freedom for colleges to meet local training requirements and severe restrictions on access in the face of high levels of demand for TAFE places (Deveson 1990, p. 49).

Pricing is one clear way of allocating places in the face of queues. Long queues for some courses have existed for some time, and attempts have been made to allocate other than on the basis of first-come-first-serve. Most attempts generally involve reliance on different kinds of queues (for example, by setting tougher prerequisites for courses). The proposed review raised in chapter 8 would look at these issues, amongst others, especially in the context of TAFE courses being articulated for university studies, or overlapping with university courses (see also below).

Higher prices for courses in heavy demand would allocate places to those willing to pay more for them (and it may be presumed that such people value the courses more highly than those not willing to pay). It would also provide the resources for an expansion of places for domestic students who might be willing to pay, but miss out because of shortages of places, in the same way that fees from overseas students have funded an increase (albeit small) in the size of the TAFE sector.

Some TAFE colleges appear to be experimenting with fees, largely for these reasons. Pricing decisions made by the TAFE sector interact with the pricing issues reviewed in chapter 8. Increasing demand from students for both university and TAFE education highlights the links between the two sectors. A system of pricing in the university sector may have implications for TAFE sector demand and visa versa. The Commission anticipates that these issues will be considered in depth in any future review it undertakes.

9.4 Credit transfer and articulation of courses

Credit transfer enables students to be credited with advanced standing in courses offered by different institutions in recognition of studies or experience already obtained. Articulation involves a *systematic* set of credits or exemptions. It involves prearranged credit transfer agreements linking courses at different institutions.

Both articulation and credit transfer were said to be vital to the attractiveness of TAFE courses. Arrangements which recognise TAFE courses are important in linking TAFE with other sectors. For example, TAFE has an important role in providing an alternative means of entry into universities for some who do not have sufficient year 12 credits to enter their selected course directly.

Some participants said current articulation arrangements were ad hoc and informal. The TAFE National Network said that a coordinated system of articulation arrangements would assist the export of education services. The Network said the total Australian marketing effort would be enhanced by a structured national approach. They added:

A large number of overseas students who narrowly miss acceptance by Australian universities can benefit by enrolling in TAFE Associate Diploma courses and on completion, having a transfer of credits into a university course ... there are obvious advantages for Australian students to also benefit from such articulation arrangements (Submission No. 36, p. 11).

In a similar context the Deveson report found that the guidelines for the provision of courses by the TAFE and higher education overlap in a number of areas:

A particular problem occurs with the offering of associate diploma and diploma courses in both the TAFE and higher education sectors. The Committee is aware of examples of what is essentially the same course being offered in both the TAFE and higher education sectors within the one State, and thereby subject to different fees and charge (Deveson 1990, p. 47).

In the White Paper, the Commonwealth specified a number of principles that universities should adopt regarding credit transfer when becoming members of the Unified National System:

Individual institutions should codify and publish information on the extent of credit which they are prepared to grant in recognition of work done in other institutions, including TAFE (White Paper 1988, p. 38).

The AVCC said that there has been clear progress by universities on the issue of credit transfer, as well as increasing cooperation between TAFE and tertiary institutions on articulation arrangements. The AVCC has given its support to a proposal being developed by Monash University and the University of New England, which aims to:

... improve credit transfer between higher education institutions, between higher education and TAFE institutions, and higher education institutions and the informal sector (in-house training, continuing professional education, advent education and experiential learning) (AVCC 1991, p. 22).

According to DEET, there are currently moves to develop and improve articulation arrangements between the TAFE, higher education and secondary sectors through NACCEETS and other State and Territory consultative bodies (Submission No. 158, p. 7). South Australia is involved in the operation of a pilot Credit Transfer Program:

... funded by the Commonwealth Government to test the feasibility of preparing a regional, updatable guide to credit between TAFE and the three universities in the State, and among the universities (Submission No. 139, p. 19).

Clearly, there are benefits to both overseas and domestic students from well defined articulation and credit transfer arrangements. Evidence available to the Commission suggests that, while arrangements are in place in a number of areas, there is scope for further gains to be made.

Recognition of qualifications

A significant barrier to exporting TAFE services is said to be the lack of knowledge overseas about TAFE functions and the relatively unique role of the Australian TAFE system. One important issue in facilitating credit transfer and promoting TAFE exports is that the meaning of the various terms for educational qualification be clearly defined. The TAFE National Overseas Network said there should be:

... a national focus for the establishment of what constitutes a 'Diploma', 'Certificate', 'Degree', given the confusion which exists overseas when an Australian private business college advertises a three month diploma and an Australian tertiary institution advertises a three year diploma in the same discipline (Submission No. 36, p. 9).

The TAFE National Overseas Network said that it is critical that:

... recognition be given to TAFE qualifications gained by overseas students studying in Australia, by Government and private sector employers in their country of origin (Submission No. 36, p. 4).

The Network added that this will be a key determinant of the continued future of education exports by TAFE. There are substantial benefits to be obtained increasing awareness of TAFE services. This might occur through both increasing demand for TAFE sector courses, and through possible flow-on of overseas students from TAFE courses into universities. The Department of Employment and Technical Further Education in South Australia argued for government assistance:

... in promoting and raising the awareness of the opportunities for vocational training in Australia particularly as many of our Asian neighbours are beginning to recognise the importance of a skilled workforce through training and retraining. TAFE can make significant contributions in that area (Submission No. 193, p. 2).

The Commission sees merit in diplomatic and private efforts to negotiate acceptance and recognition of Australian TAFE qualifications in other countries. A starting point might be foreign governments, because of their dual roles as employers and as regulators. To the extent that acceptance can be negotiated, there will be gains to the Australian TAFE sector in the form of increased exports of its services and the flow-on benefits which should follow. To reinforce this, it may be that there is a role for the extension of Australia's education aid program (particularly the Equity and Merit Scholarship Scheme) to scholarships for Australia's TAFE sector.

9.5 Visa issues

The central concern of TAFE colleges about the new visa regulations is the way in which TAFE Award courses are effectively split between student visa categories. Indeed, of all of the issues raised during the course of this inquiry, the visa issue concerned TAFE colleges most.

TAFE Associate Diplomas are category A courses, while TAFE Certificate and Advanced Certificate courses come under category B. The effects of category B classification were discussed in chapter 4. In brief, if students are enrolled in category B courses, and come from non-gazetted countries, they pay a higher visa fee and their rights to bring dependants with them are limited. For example, dependants may not accompany students from non-gazetted countries enrolled in category B courses of less than 12 months duration.

As noted in chapter 4, the main criteria for classifying courses to either category A or B for visa purposes is the prerequisite of year 12 equivalent entry. TAFE Queensland - International Programs said that the classification of some TAFE courses into category B is a disadvantage, and requested:

... that a distinction be made between TAFE which is government funded and guaranteed and other providers which will fall into this second category (Submission No. 8, p. 11).

TAFE colleges see the new visa regulations as a major impediment to the export of education. The TAFE National Overseas Network said that the splitting of TAFE courses between categories A and B was having adverse effect on the marketing of TAFE overseas. They said that:

Already TAFE authorities are reporting that both agents and parents of overseas students are beginning to believe that something must be awry with TAFE when, as a government funded system, it is not recognised appropriately in regulations (Submission No. 36, p. 3).

The Network added that:

The long, world-wide history of school and university education permits an understanding and marketing of these two sectors in a manner which is not possible for TAFE with its recent and peculiarly Australian origins. Consequently, restrictions imposed on the export of its services, such as student visa classifications, only serve to inhibit its market growth and confuse both government and private sectors in overseas countries (Submission No. 186, p. 1).

Visa classification creates a problem in marketing courses. Some TAFE colleges suggested that public sector institutions, together with long-established private institutions, should be classified into category A. They said this classification was more useful than by type of course since a number of private operators who offered matriculation courses were classified into category A but were in fact untrustworthy providers.

This issue is not confined to TAFE colleges. The new visa categories have also caused problems for some providers of foundation year and secondary school courses. Taylor's Schools said:

... Taylor's offers a 20 week course (effectively an accelerated year 11 programme in Mathematics and English incorporating a computer element and a study skills segment). DEET had approved this course as a secondary course ... until February 1991, students enrolled were issued with a visa, the category of which was the same as that issued to year 10, 11 or 12 students. It is now a category B course, subject to PVA and a \$AUD230 fee if the student is from a non-gazetted country. [Monash University Foundation Year], a 12 month year 12 equivalent is also now classed as category B, when it was treated as a formal course before February, 1991 (Submission No. 96, p. 5).

The Queensland Association of Registered Colleges said that, while initially Bond University's foundation course attracted a category B visa, the Queensland University of Technology's foundation course was listed as category A. The Association said that DEET has since determined that all foundation courses are to be category B, but noted that the policy change caused confusion among potential enrollees (Submission No. 120, p. 2). This seems to conflict with the practice of issuing a category A visa for students enrolled at school (essentially studying the same course).

However, where a student entering a foundation course also has provisional entry to a category A higher education institution, the student can obtain a category A visa if completing the foundation course and enrolling in the higher education course.

The Commission shares the concerns expressed by TAFE and other colleges about the difficulties caused by current visa categories. It accepts the need for better targeting of groups which exhibit a higher likelihood of visa infringement, and discussed this issue in some detail in chapter 5.

However, it is not clear from the available data whether or not the use of the year 12 entry criteria to distinguish between categories A and B represents the most efficient way of targeting those with a high risk of visa infringement. For example, data are not available to show whether category B students at TAFE colleges exhibit higher visa infringement rates than category A TAFE students. It is clear, however, that current arrangements are causing problems for that sector.

The problems observed in the education exports industry in recent years have been largely confined to private providers of non-formal courses. It may be, for example, that more careful targeting within this group might yield better results. This might imply a category A/B split based on the type of institution, rather than on whether or not year 12 or its equivalent was required for entry to a particular course. Again, however, the data are not sufficiently good for the Commission to be confident enough to make a recommendation on this matter. However, the question of the most appropriate targeting of high risk categories should be reviewed.

The Commission recommends that DILGEA review the criteria by which the current category A and B classes are defined. This will mean the collection or compilation of more detailed data on visa infringements, with a view to defining more precisely category B courses or institutions on the basis of the risk that students will infringe visa requirements. Such data should be made publicly available.

9.6 Concluding comments

The number of overseas students at TAFE colleges is currently much lower than for universities, but the sector has high potential for growth in the export of education. Particularly in the context of funding constraints and excess demand by domestic students, some of the issues discussed in the previous chapter also arise in the TAFE sector.

As with universities, the basis of prices set for overseas students, and the mechanisms for distributing the resultant revenues, need to be reviewed with a view to providing better incentives to institutions. Where student revenues accrue to the institution, the faculty or the school undertaking the course, there are likely to be greater incentives to promote exports and seek out new students.

It is difficult to draw conclusions about displacement without better information concerning pricing regimes. As in the case of universities, however, many courses popular with foreign students seem also to be those popular with domestic students. Where capacity constraints occur, and those seem common in TAFE colleges, Australians will be displaced. Whether the losses involved in this are greater than the value of the revenue accruing from foreign students cannot be assessed. As in the case of universities, however, a regime which placed more emphasis on pricing mechanisms to allocate places to Australian (as well as foreign) students would generate more confidence that efficient decisions were being made.

The arguments in the previous chapter against setting minimum prices also appear to apply in the case of TAFE colleges. The appropriate prices to charge will vary according to the circumstances of particular courses in particular institutions. Key factors will be demand, the extent of any excess capacity, and the relative returns from overseas and domestic students.

As is the case with university places, overseas students can buy their way in to TAFE courses, while domestic students who do not obtain a Government-funded place cannot. Current fee income does not supplement government funding sufficiently to accommodate the demands of those domestic students who are denied places in TAFE colleges each year.

The differences or boundaries between TAFE colleges, universities and other educational institutions are in some cases blurred. Individual TAFE colleges are negotiating credit transfer and articulation arrangements with particular universities. But there is scope for a general articulation regime with the potential for significant gains to education generally.

Visa rules are disadvantaging the TAFE sector, and perhaps without good reason. But the data are poor, and the Commission did not reach a view as to whether changes should be made to visa categories. Better data should be compiled and the category definitions reviewed. Classifications designed for immigration control purposes should be based on immigration criteria.

10 SCHOOLS

The total number of overseas students in the school sector is small but growing quickly. If overseas students are attracted to those schools where there are already queues of Australian students, there is the possibility of some displacement. To cater for the overseas market, an increasing number and diversity of matriculation courses have been established.

10.1 Introduction

The Commonwealth Government encourages both government and non-government schools to sell education services to overseas students. According to DEET, these objectives are being met:

... as demonstrated by 1990 figures showing that the number of full fee paying overseas students in secondary studies has increased by 66 per cent in the past 12 months (DEET 1990, p. 63).

However, as with universities, the Government intends that funding for domestic students should not subsidise overseas students, and that displacement of domestic students should not occur.

This chapter looks at the numbers of students involved, policies covering fees and funding, and briefly examines some issues concerning the transition from secondary school to higher education. Some potential future difficulties are noted.

10.2 The pattern of enrolments

The total number of full fee paying overseas students represents a very small proportion of overall student numbers at Australian schools. While there were 1.4 million Australian students enrolled in the secondary sector in 1990, there were only 7 600 full fee paying overseas students in primary and secondary schools. Of these, 5 800 were enrolled in non-government schools.

There are about 10 000 schools operating in Australia. One quarter of these are non-government schools. As at 30 June 1990 there were 409 government and non-government schools registered to enrol overseas students in years 7 to 12. The number of international students in any individual school is generally less than 5 per cent of total enrolments, although a small number of private schools enrol a majority of international students.

Table 10.1 shows the numbers of full fee paying overseas students who were enrolled at primary and secondary schools at 30 June each year from 1986 to 1990.

Table 10.1: Full fee paying overseas students in schools, 30 June 1986 to 1990

	1986	1987	1988	1989	1990
Numbers of students	nil	846	2 532	4 204	7 557

Source: DEET, Submission No. 128, p. 13.

Growth in demand from overseas students for primary and secondary school places has mainly focused on year 11 and year 12 provision for entry into higher education institutions. For a significant number of students this means initial enrolment in year 11 to fulfil the university preparation requirements years 11 and 12 together provide.

The numbers of overseas students below year 11 who are enrolled at Australian institutions are very small. The Western Australian State Development Office said that:

The enrolment of younger aged students is discouraged by schools due to the considerable social responsibility (eg distance from immediate family and maturation) such students place upon a school community (Submission No. 123, p. 2).

Nevertheless, there is some indication of increasing enrolments of overseas students at the year 10 level. The National Council of Independent Schools' Associations said:

While the majority of students enrolled are in the last two years of secondary school, increasingly year 10 is becoming a favoured point of entry, as overseas students seek to improve their foundation studies, especially in English, prior to entry to years 11 and 12 (Submission No. 74, p. 6).

Association of Independent Schools of Western Australia (AISWA) disputed the suggestion that enrolment of younger students is discouraged. It said:

Boarding schools in general across Australia are keen to encourage entry in the first year of secondary school for students from overseas, because it is the experience of AISWA schools that these students make a far more satisfactory adjustment to Australian education, and are able to take full advantage of the educational programme offered by member schools leading to matriculation and university entrance (Submission No. 192, p. 6).

Predominantly it is non-government schools which recruit overseas students. Many of these schools have a long tradition of enrolling subsidised overseas students. The National Council of Independent Schools' Associations said:

... at a time when the recession is having a substantial adverse effect on large boarding schools around the nation, the opportunity to substitute full-fee paying students from overseas for a reduced urban and dwindling rural Australian clientele has enabled numbers of independent schools to retain their plant at high levels of occupancy and application, and also to maintain their customary richness of curriculum offering for both Australian and overseas students (for whom these offerings are frequently a key incentive to enrol) (Submission No. 74, pp. 6-7).

AISWA emphasised the external benefits of overseas students in secondary education. It said that its members sought to enrol overseas students:

... as a means of expanding their own cultural and educational environment, as a means of promoting wider international understanding, and often as a means of providing educational opportunities and resources which might otherwise be denied their students (Submission No. 192, p. 6).

In some States, government schools are in the process of developing the export of secondary education through the operation of pilot programs. New South Wales accepts about 80 students into government schools, while Victoria and South Australia enrol about 75 students each and are planning to expand. Queensland already operates a matriculation program for overseas students, enrolling 80 students in six schools.

Places for full fee paying overseas students in government schools are frequently allocated according to available excess capacity. In Victoria:

Overseas students will be placed in schools with excess capacity which represents an efficient use of school resources and in reality means that these students will be providing an additional income to Government schools (Submission No. 96, p. 12).

The National Council of Independent Schools' Associations said:

For some schools, enrolment of overseas students does enable additional courses to be offered to local students, however. In smaller country independent schools, for example, and in some metropolitan schools with declining enrolments, the acceptance of overseas students may make the offering of particular courses viable, when demand from local students might not have justified the employment of the staff member or the resourcing of the course (Submission No. 74, p. 13).

10.3 Fees charged to overseas students

Most non-government schools receive some government funding for Australian students. In the main, these schools are conducted by religious denominations, although some offer alternative approaches to schooling (for example, Montessori and Rudolf Steiner). To be eligible for Commonwealth funding, non-government schools must be 'non-profitmaking', reinvesting any surplus revenues in the school. Those schools which operate as commercial businesses receive no Commonwealth funding.

Commonwealth recurrent funding for eligible non-government schools is provided on a per student basis. Schools are classified into 12 categories for the purpose of determining funding. Those categories are reviewed regularly, and new funding rates applied according to a needs-based model, which incorporates such factors as the wealth of the school and the ability of the surrounding community to pay.

In most States, overseas students who are dependants of temporary residents are funded to the same extent as Australian students. However, the number of full fee paying overseas students is excluded from the calculations in determining the level of government funding for a school. DEET said that:

... the Commonwealth has been concerned to ensure that funding for Australian students does not effectively subsidise private overseas students. As well, the Government recognises a need to avoid displacement of Australian Year 11 and 12 students while providing for dependants of [full fee paying] overseas students (Submission No. 128, pp. 70-71).

This presumably means that places must be made available for a fee to the dependants of full fee paying overseas students. The size of the fee to be charged for the education of those dependants is discussed later in this chapter.

When the States and Territories took responsibility for registration of institutions providing courses to overseas students, they endorsed national minimum standards prepared by the Australian Education Council to the effect that:

For non-government secondary schools, at least in 1990, schools will certify that fees have been determined on a full cost basis.

In addition, schools (and other institutions offering secondary courses) which receive any government funding are required to adhere to Commonwealth guidelines intended to prevent leakage of public funds to provide for fee paying overseas students. These guidelines, issued in January 1988, stipulate that institutions must charge:

... as a minimum, fees which reflect the full average cost of providing the educational services and facilities (ie including both recurrent and capital costs) (DEET 1988, p. 3).

According to the National Council for Independent Schools' Associations, tuition fees in 1991 for non-government schools range from approximately \$5 000 to \$9 000 per annum, with an average of \$6 700. In Victoria, the median fee level for the 46 schools which had their 1990 fee levels listed on the register was approximately \$5 000. The median fee level for the 43 schools registered during 1989 was around \$6 000. In general, Catholic school fees are significantly lower than most other non-government schools, a pattern reflected in student fees for residents.

DEET said that Australia has some price advantage against competitor countries:

Secondary school fees (both private and public) in Australia appear to be generally price competitive with fees charged by comparable private secondary schools in other developed countries. The Australian Education Centre in Hong Kong has advised that the main reasons that Hong Kong students choose to attend Australian private schools are because of the relatively low tuition fees and the presence of friends and relatives in Australia (Submission No. 128, p. 21).

DEET added that, in 1990, Australia's fee costs were broadly the same as those applying in the United Kingdom.

Fees charged in government schools vary across States. A number of participants questioned whether government schools were recovering the full cost of educating overseas students. According to the National Council for Independent Schools' Associations:

Government measures such as those proposed in Victoria for the Ministry of Education to have the power to set fees for government schools enrolling [full fee paying overseas students] will create an inequitable situation if the fee is below the full cost recovery level, both because Victorian taxpayers will be subsidising the education of overseas students and because the costly requirements which must be met by non-government schools enrolling such students will not apply equally to their government counterparts (Submission No. 74, p. 7).

It is not clear whether Victoria's *Education Act 1958* enables fees to be charged to fee paying overseas students in Victoria. The Act allows the enrolment of fee paying students, but prevents the charging of fees for subjects such as reading, writing, maths and grammar. The legislation is currently under review.

School fees for dependants of temporary residents

School-aged children of diplomats on official duty in Australia and temporary residents who come to Australia for non-study purposes, usually employment, are generally exempt from paying fees. Dependants of visitors are precluded from attending public schools.

However, whether or not the dependants of students temporarily in Australia are required to pay for school education varies from State to State. DEET reported information provided by DILGEA that 1 149 school-aged dependants accompanied formal and non-formal course students arriving in 1990.

Some submissions criticised the ad hoc nature of current arrangements. The Postgraduate Students Area Committee of the University of Queensland Union said:

... at the commencement of the school year in 1990, all overseas students were told (verbally) by either the Overseas Students Office of DEET or by school principals that they would have to pay \$4 500 per child before they would be allowed to enrol them in primary school. ... After a campaign which included appeals, media releases and letters to both the State Education Department and DEET, a compromise was reached in that the State Education Department gave a general exemption to continuing overseas students and reduced the fees to \$1 000 per child (\$2 000 minimum per family) for new overseas students. ... This reduced fee and exemption was only valid for 1990, and all overseas students will have to pay the \$4 500 again next year (Submission No. 44, p. 1).

Dr R H Spear of the Australian National University said:

It is exceedingly difficult to obtain definite information on this matter. Sums ranging from \$1 500 to \$6 500 per child per year have been mentioned, but there is much confusion as to the amounts to be charged by various states and when it is proposed to introduce the charges. For example, in spite of numerous approaches to various ACT government officials the ANU has been unable to obtain definite information on the obligations of our students (Submission No. 40, p. 1).

Some participants expressed concern that the fee requirement would act as a deterrent to postgraduate overseas students coming to Australia. Education Victoria said:

We do not believe that the school age dependants of overseas students should be charged tuition fees in government schools. The number of children involved is small and charging school tuition fees would prevent some excellent postgraduate students from considering study in Australia (Submission No. 29, pp. 1-2).

Dr R H Spear also held that view:

It is generally accepted that it is in the national interest to have overseas postgraduate students studying in Australia, both on AIDAB scholarships and paying full fees ... The requirement that students not on AIDAB scholarships pay local school fees for their children will effectively prevent some of the best and brightest of these graduate students from coming to Canberra at all (Submission No. 40, p. 1).

In its draft report, the Commission was critical of the uncertainty surrounding government policy in this area. DEET said that, in July 1991, it had met with DILGEA and officials of State and Territory Education Departments to determine a nationally consistent charging policy. Agreement was achieved at the meeting of officials, but has not yet been finalised with State and Territory Ministers. The officials agreed on the following:

School-aged dependants of full-fee paying students are required to pay fees for their education. This is because, as full-fee students, their parents enter Australia on the basis of meeting all the costs of obtaining their education. It would work against the intent of this policy if the additional costs of educating their children were met by the taxpayer.

By agreement between the Commonwealth and State and Territory governments (still to be finalised), the dependants of full-fee students will therefore pay an agreed national fee which reflects the different costs associated with the three levels of schooling: Primary, Junior Secondary and Secondary (Submission No. 198, p. 2).

For attendance at State or Territory government schools, the meeting of officials proposed that exemptions from fees apply to dependants of:

- students sponsored under the aid program, for example, those assisted under the EMSS (on the grounds that it would be 'contrary to the objectives of the aid program to charge fees');
- holders of scholarships from higher education institutions, or scholarships from approved non-government agencies (on the grounds that otherwise there would be a disincentive for, in particular, postgraduate research students to come to Australia);
- diplomats on official duty in Australia;
- temporary residents who come to Australia for non study purposes, usually employment.

DEET said that the latter two exemptions are based on Australia's obligations under the International Covenant on Economic, Social and Cultural Rights and the UNESCO Convention Against Discrimination in Education.

DEET also said it has been proposed that all full fee students whose visas are issued after 1 March 1992 should be made aware of their obligations with respect to the education of their dependants under the new policy, and will be charged accordingly. Students whose visas were issued prior to 1 March 1992 will receive free schooling for their dependants.

While noting DEET's advice as to likely future agreement between governments, the uncertainty surrounding current rules has caused difficulties, and it would be cause for further concern if clarification was not forthcoming. This uncertainty could be expected to deter some visitors, including overseas students.

Either way, the argument for exempting dependants of particular groups is not at all clear. There is a cost to the community when schools provide education services to dependants of temporary residents. If fees covering those costs are not charged, the education of those dependants will be subsidised out of the budget allocated to provide education services to Australian students. There is also an equity argument if these dependants receive their education free while the dependants of full fee paying overseas students pay in full.

In the case of dependants of students assisted under the EMSS, there is an additional point. The cost of educating any dependants who accompany the scholarship holder is part of the cost of living in Australia. If this is to be provided free for aid-related reasons, it should be accounted for in the setting of scholarship amounts, and thereby explicitly treated as a cost of providing overseas aid. Effectively, the current practice of subsidising these dependants out of the education budget means that actual outlays on aid are underestimated.

In the Commission's view, fees should be charged but, for reasons discussed in the context of universities, setting minimum dollar fees (as distinct from setting principles for fee charging) can be inefficient. Exemptions to dependants constitute subsidies to students. This implies that programs such as the EMSS and other scholarship schemes are effectively being subsidised by the cost of educating dependants.

If it is a concern that postgraduate students are being deterred from studying in Australia because of the requirement that dependants pay fees, there is scope for the size of scholarship offered, or the level of fees charged by a university, to be adjusted so as to make study here more inviting to students whom institutions seek to attract. The recommendation in chapter 8 that institutions no longer be required to charge minimum fees would make this easier to achieve. Issues regarding the recruitment of overseas post-graduate students are discussed in chapter 8.

The charging of school fees for most dependants of temporary residents will have implications for, for example, universities and the aid budget which will be required to bear these imposts. Those implications will need to be considered by the government so that it might determine whether those areas should be compensated from the Commonwealth's budget.

10.4 Choice of tertiary entrance preparation

There has been increasing demand by overseas students for courses which are prerequisites for tertiary entrance. Many students consider their ability both to gain entry to, and to succeed within the Australian university system will be enhanced by improving their English and familiarising themselves with the Australian education requirements prior to tertiary study. According to the Association of Independent Schools of Victoria:

In many cases full fee paying overseas students are motivated to undertake a secondary education program in Australia in the belief that it will improve their chances of tertiary selection (Submission No. 20, p. 2).

Australian students have a range of choices as to where they can complete year 11 and 12, although the States specify the curriculum to which schools must adhere. Many of these schooling options are now offered also to overseas students. Students may choose government or non-government schools, private colleges or TAFE colleges. In some cases they also have the option of completing an international certificate such as the Baccalaureate. In Victoria for example, three schools offer the Baccalaureate to domestic and overseas students.

These options vary from State to State. In Western Australia, students can attend public matriculation colleges, but cannot take matriculation courses in TAFE colleges, while in other States TAFE matriculation courses are readily available. Institutions established specifically to provide matriculation courses in response to increasing 're-entry' demand from Australian students have also emerged and are becoming involved in the provision of services to overseas students. Examples of this are the Canning and Tuart Colleges in Western Australia which only offer matriculation courses. These colleges together enrolled approximately 3 000 Australian and 352 full fee paying overseas students in 1990.

Since 1986 a number of courses have been established to provide year 10, 11 and 12 education, often initially marketed at overseas students. Many of these are provided by business colleges who have been granted registration to offer secondary courses. Western Australia has a number of these courses operating, while other States are moving in the same direction. Some of the institutions offering matriculation to overseas students have begun to extend their courses to Australian students. Examples include Edwards and Beaufort Colleges.

The extension of services to Australian students has created some anomalies. Although these institutions are not entitled to receive Commonwealth grants (since they are commercial institutions), State legislation in Western Australia enables the institutions to claim per capita grants for each Australian student they enrol. The situation may be similar in other States. It is not clear why Commonwealth funds should not be made available to Australian students enrolled at profit-making institutions in much the same way as profit-making hospitals and nursing homes obtain some level of subsidy. However, the Independent Teachers Federation of Australia argued that funding profit-making institutions would be a radical departure from existing policy (Submission No. 188, p. 5).

Foundation courses

Full fee paying overseas students have the additional option of completing a 'foundation course', operated by universities in some States. Other States are considering permitting the development of foundation courses.

Foundation courses provide overseas students with an alternative to the current matriculation or senior secondary curriculum and qualifications. They are intensive one-year courses designed specifically for university preparation. They aim to provide students with an adequate 'foundation' for undertaking tertiary studies. Frequently the courses are offered by universities.

The criteria for acceptance into a higher education institution after completing of a foundation course varies between States. Broadly, it is negotiated between the student, the foundation course operators, and the accepting institution. In New South Wales, for example, the foundation certificate offered through the University of New South Wales is recognised for entry to a number of courses across eight universities. Some institutions are seeking to broaden the recognition of their foundation courses so that they will become recognised on a national basis. A number of participants suggested a national curriculum for foundation studies could be operated to facilitate credit transfer and university entrance across institutions and across States.

Universities maintain there are a number of benefits both for overseas students and institutions in the establishment of foundation courses. According to the University of New South Wales:

Overseas secondary education systems and academic calendars do not always neatly dovetail with the Australian university entrance requirements (by way of curriculum content), or with the university academic year. Students can be lost to northern hemisphere competitors if there is too great a gap between completion of their secondary schooling and the start of the Australian academic year. Other universities cope by having so-called 'mid-year intakes'. This is only feasible with heavily modularised curricula (Submission No. 78, p. 13).

The University of New South Wales said it prefers to enrol overseas students who have spent a year in an Australian educational environment. It established a foundation course in part because of the unpredictability of supply of students through the Government school system, noting that:

... the University is entirely at the mercy of the Department of School Education's policies with regard to marketing and recruitment (Submission No. 78, p. 13).

As well as the export revenues generated by full fee foundation courses, universities benefit through access to a steady supply of students into their tertiary program who are specifically prepared for tertiary studies. While it is not a prerequisite that students completing the foundation course should undertake to study at the same university, the majority of students do.

From the student's perspective, there are also a number of advantages to completing foundation courses. The course is directly focused on preparation for university. This has a number of advantages over the domestic matriculation program, since it takes account of problems with English comprehension by overseas students whilst preparing them for the requirements of universities.

Foundation courses are one year in length. Overseas students can complete year 11 or its equivalent in their home country, and then study with the foundation course for one year before entering university. A number of State governments have undertaken to provide more matriculation options for overseas students. Overseas students in Victoria, Queensland and other States may receive credit for completion of Year 11 equivalents overseas, and undertake a one year matriculation course. In addition to these alternatives, at least one State has begun to offer two-year programs in Government schools at the equivalent price to a one year program (around \$8 000).

One participant questioned the role of tertiary institutions in providing foundation courses, arguing that the provision of secondary education lay outside the charter of tertiary education providers. It also argued that the status of tertiary institutions enabled foundation courses to bypass accreditation procedures and thus to avoid real costs.

There is some debate about the quality of foundation courses. The University of New South Wales said:

... the HSC is really only taught in the schools over 15 months, and over 12 months in TAFE ... The proof of the adequacy of the [foundation course] can be found in the strong performance of ... students in their subsequent university studies (Submission No. 78, p. 13).

Domestic students are not permitted to enrol in foundation courses. However, it may be the case that, because of the tailor-made nature of the course, some domestic students would achieve better results from foundation courses than under the standard matriculation system. Those domestic students who have recently arrived in Australia as migrants would particularly benefit.

On the other hand, some universities said foundation courses are essentially designed for overseas students, and not really suitable domestic students. The University of New South Wales said that its foundation course:

... is essentially a matriculation program and does not seek to emulate State school systems with curricula designed to meet the multiplicity of needs of a school population, not all of whom are destined for, or planning to attend universities (Submission No. 78, p. 12).

The Victorian Government said that foundation courses should only be offered to overseas students. The Ministry of Education and Training in Victoria has prepared draft guidelines for foundation courses. These appear to be quite restrictive, and include provisions that overseas students must be 18 years of age or must have fully completed their secondary education. This latter restriction would appear to prevent foundation courses from offering matriculation courses competition with Victorian schools, making the course narrower in scope than those operating in, say, New South Wales. If those restrictions were to become generally applicable in Australia, they could induce the establishment of foundation year courses abroad. The Victorian Government said that:

... the major Victorian universities have assured the Victorian Curriculum and Assessment Board that their foundation courses will not be offered to local students (Submission No 190, p. 8).

Questions of visa category appropriate to students attending foundation year courses is discussed in chapter 9.

10.5 Offshore provision

Some Australian secondary school systems have begun to export education services in forms other than by enrolling overseas students who come to Australia to study.

For example, the Secondary Schools Assessment Board of South Australia operates a program exporting educational services to Malaysia. Overseas secondary institutions may apply to the board for registration to provide the South Australian Matriculation Exam.

Approved colleges overseas offer the curriculum and examination to Malaysian students wishing to gain entry to Australian universities. In 1990, 1 000 students took the South Australian matriculation course in Malaysia. Taylor's College in Kuala Lumpur is one of the largest institutions offering these services to Malaysian students. Taylor's College also offers a range of matriculation courses from countries such as Britain and Canada.

A similar arrangement exists between the Western Australian Secondary Assessment Board and Sunway College in Malaysia. This program provides the Western Australian tertiary entrance examination to 150 students.

Some Australian institutions plan to establish foundation courses offshore. In the future it is anticipated that some overseas students will enter secondary or foundation courses in their home country, and then seek enrolment in Australian universities with which twinning arrangements have been established. In these cases, it will be possible for overseas students to complete all but the last year of their degree offshore. Indeed, if Australian institutions become licensed to establish universities in those countries, it may be that the entire activity will be conducted offshore.

Either way, however, these arrangements will still provide export income and other non-financial benefits to Australian institutions. They also benefit students, who have a wider choice of study options, including that of studying in their home country, perhaps more cheaply.

10.6 Concluding comments

The number of overseas students studying at Australian schools is small, particularly when compared to the domestic school population. And unlike higher education institutions, the number of domestic students accepted into the school sector as a whole is not limited by quota, since Commonwealth policy is to provide primary and secondary education to every Australian who requires it.

Nevertheless, at the individual school level there is the potential for some displacement at schools or in courses for which where there is high domestic demand and queues for places. In such cases, some domestic students may be forced to take their second choice. But, as noted, the numbers of overseas students are very small at present.

As observed in the chapter on higher education, the key point is that fees charged cover costs and are set in a manner which maximises the gains to Australia. This may not be the same as maximising the price. Current arrangements for schools require them to charge overseas students the full average cost of their education. As with universities, there may be cases where the benefits to Australia are maximised at a price lower than that which covers full average cost. Rules which require the setting of a minimum price can be an inefficient constraint.

In non-government schools, funding arrangements are akin to a voucher system, where the Commonwealth and State governments pay institutions a specified level of funding per domestic student, and the institution is free to charge the domestic student above that rate. This system avoids a number of the problems arising in the higher education sector.

The emerging foundation year courses, which compete with year 11 and 12 secondary school courses and provide an alternative way of obtaining university entrance qualifications, represent another form of exports of education services. This is an option available at present to overseas students but not to domestic students. The Commission sees no good reason for discriminating against domestic students in this way, and suggests it may be contrary at least to the spirit of the *Racial Discrimination Act 1975*.

11 PROMOTION

Overseas promotion is important both to attract overseas students and to provide information relevant to students' needs. However, rather than relying on generic promotion to raise the profile of Australian education as a whole, promotional effort by individual institutions is important if those needs are to be met adequately. To protect themselves and to enhance their marketability, institutions need to develop a reputation in overseas markets that they provide quality education and good service to overseas students. The IDP is reviewing, with its participating members, the role of the AECs in the promotion of education exports. If this review fails to meet valid concerns, the Government will need to reconsider the role of the AECs.

11.1 Introduction

The provision and dissemination of information has been an important issue for this inquiry. It is a particular problem because of the distances that initially exist between the consumer and the provider. Students do not obtain entry to Australia until they have applied and been accepted at a registered institution. Thus the first enrolment is carried out at a distance.

Nevertheless, as in any market, suppliers have clear incentives to expend resources to provide information to their potential customers. In general, institutions want (or should want) to attract the right quality and quantity of students, and intending students want (or should want) to make a well-informed choice as to the type of course and institution they require, and in which country they might study.

Notwithstanding these incentives, it seems clear that difficulties have arisen. These are the subject of this chapter.

11.2 Current promotional activity

Overseas promotion by Australian educational exporters has two objectives. The first is the more general aim of raising the awareness of Australia as an educational exporter and diverting potential students away from other destinations, in particular those in the Northern Hemisphere, towards Australian educational opportunities. This is a form of 'generic' promotion of Australian educational opportunities and institutions as a whole. The second is the specific task of converting this awareness into enrolments at particular Australian institutions.

Institutions meet these objectives in a variety of ways. Many take part in joint promotion coordinated by Austrade and the Australian Education Centres (AECs). Some are directly represented overseas; others employ private agents to represent their interests and to recruit students. Interviews or lectures are conducted by the staff from some institutions in overseas countries. Most institutions use a combination of these methods.

Students in other countries intending to study abroad will seek information from a variety of sources on the study possibilities available to them. In the case of study opportunities in Australia, this could come from AECs, education agents, embassies or direct from institutions themselves. Word-of-mouth advice is said to be important. As noted in chapter 7, some participants said that students are often very astute consumers of education and rely to a considerable extent on the experiences of friends and colleagues in making their decisions on where and at which institutions to study.

Direct representation

In overseas markets there are a large number of private agents who specialise in promoting educational institutions and their courses, and recruiting students. These agents work within a consultancy arrangement, usually represent a small number of institutions and are generally rewarded on a commission basis, paid by the student, institution or both. The University of New South Wales said that agents usually rely on some form of promotional activity by the client institution, and may also send direct mail to students. They often have connections with some schools and tertiary institutions in the source country. Agents can also arrange visa, travel and other services for a fee paid by the applicant. Agents may represent institutions from a number of countries.

The ELICOS Association said that, in a survey to which 53 institutions responded, 49 of those were using private agents to market their courses overseas. Private colleges relied on agents to a larger degree than public sector colleges.

Although many private agents have built sound reputations in some countries, concern has been expressed over a small number of private agents who were said to be involved in unethical practices. Overcharging and false advertising have been given as examples, along with claims that some agents use student visas to obtain illegal entry into Australia for their clients (Davis 1989, p. 11).

The ELICOS Association said that private agents' commissions paid by Australian institutions ranged from 7 per cent to 20 per cent of course fees. The association said that, while most public sector colleges are paying their agents 10 per cent of the course fee for each student recruited, the vast majority of private colleges were paying their agents 15 per cent.

The University of New South Wales said that agents usually charged client universities a fee which amounted to about 10 per cent of the first year's fees. It said that in some countries it is usual to charge the applicant as well as the client, but in most cases only one or the other is charged.

Inquiry participants had mixed comments about the operations of education agents in overseas markets. The Professional Business Colleges of Australia commented:

Not every agent had the best interests of student and institution in mind and the results have cast an unfavourable light over the entire export education program (Submission No. 12, p. 5).

The Circulation Librarian of the Hong Kong Polytechnic Library said:

Agents can, and occasionally do, employ questionable procedures in seeking to attract full fee paying students (Submission No. 54, p. 1).

On the other hand, a number of participants had no difficulties with the use of agents to promote education exports. Education Victoria said:

Most institutions will continue to use reputable agents. They have a necessary place in the promotion and recruitment process, whatever views may be held about the activities of certain individuals. Fortunately, a lot has been learned in the last four years about the strengths and weaknesses of individual agents. Negative information is shared amongst institutions fairly readily. Sharp practices seem to be more of a problem in some countries rather than others (Submission No. 29, p. 17).

TAFE Queensland, in commenting on the role of AECs, said:

Private agents are authorised by institutions and are often more effective because institutions can set them targets, pay commissions and offer incentives (Submission No. 8, p. 12).

And the Queensland University of Technology stated:

Our experience is that agents can perform functions on behalf of the University which cannot easily be accommodated by the AECs or other government instrumentalities without calling in to question the latter's impartiality. We would be very concerned at any proposal to curtail the use of agents (Submission No. 60, p. 3).

Curtin University maintains its own promotional office in Minnesota in the United States. In 1990 it recruited 37 American students and expects to enrol about 200 in 1991. Only large institutions would be able to maintain a continuous direct presence, and then only in a small number of markets.

The Faculty of Engineering at the University of New South Wales has developed a program of direct marketing to selected institutions in South East Asia to attract high calibre students to the Faculty. It has made special arrangements with several institutions to operate joint courses.

At the draft report hearings, some participants highlighted the importance of recruitment activity by individual institutions, as a recruitment/promotion function and to help in assessing applicants. The National Centre for Development Studies at the Australian National University said that, for recruitment of postgraduate students, it sends out all of its staff members on recruitment visits through the countries of East Asia, South-East Asia, the Pacific and in some cases Africa. On these recruitment drives they visit, for example, government departments, central banks and key academic institutions to obtain the kind of students they are looking for (Transcript, p. 101). In such cases, recruitment of students may be combined with professional development activities, such as developing links with academic institutions and staff overseas.

State Government promotional activities

Some States are involved in the direct promotion of education services in overseas markets. The New South Wales Government established the Education Exports Advisory Council (EEAC) in 1989, one role of which is to 'develop strategies to stimulate the marketing of education services to overseas students'. It acts to coordinate and market the industry. The recent New South Wales Export Education Industry Task Force Report recommended a feasibility study of specialist marketing arrangements for the New South Wales education export industry and support for education exports by the funding of liaison officers for North East and South East Asia (Task Force 1990, p. 26). The New South Wales Government said:

... TAFE NSW is working closely with TAFE in other states to promote the generic 'brand' overseas. Also, in an effort to economise on costs, joint overseas promotions are being developed with NSW secondary schools. In the project field joint arrangements are being undertaken with universities and project managers such as SAGRIC (Submission No. 189, p. 11).

The Victorian Government promotes education exports through Victorian Commissioners based in the United Kingdom, the United States, Japan and Germany. These representatives are also involved in general promotion of Victorian exports.

The Western Australian Department of State Development operates Education Offices in Singapore, Kuala Lumpur and Hong Kong. Each office employs two local residents and works on behalf of the Department to promote Western Australian education export services in these areas. The Department estimated revenue collected by the Offices at about \$174 000 per year.

The Commission did not receive any evidence from State Governments as to how efficient their own direct promotion is in attracting overseas students.

Austrade

Austrade provides assistance to providers of exports of education through its Education and Training Export Development Program as well as through the Export Market Development Grants Scheme.

Education and Training Export Development Program

Between 1986 and June 1990 Australian exporters of education were able to use Austrade's export support program in South East and North Asian markets by subscribing to the Education and Training Export Development Program. In other markets Austrade provided support on a fee for service basis. The Program's aim was to facilitate entry into world markets, particularly those where demand for education exceeded domestic capacity to supply, and to increase awareness in other countries of Australia's capability as a competitive supplier of education.

With the establishment of the AECs, Austrade terminated the subscription service from 1 July 1990 and now provides services world-wide on a fee for service basis only. Austrade adopts a policy of full recovery of all direct costs associated with the services it provides to educational institutions. These services are now largely of a marketing nature, particularly the organisation of Australian education services exhibitions. Austrade said that these are mainly carried out in major Asian markets, with attention also being given to expanding exports in newer markets in Europe and North America.

Concern was expressed by some participants about the focus of Austrade and other promotional bodies on Asian countries as a market for education services. In commenting on the Report of the New South Wales Task force on the Export of Education, Professor Murray Wells said:

Emphasis is given throughout the Report to South East Asia as the largest potential market. While that is undoubtedly the case, the passing reference to North America and no specific reference to Central Europe give a distorted view of the market. Many universities in the US have a 'Year Abroad' scheme, and Australia is potentially a very significant destination for those students. Similarly, the urgent need for management training in Eastern Europe provides an unprecedented opportunity for Australian universities to expand the sources of their students. Furthermore, students from the former Eastern European block typically need help with English, thereby creating a further demand for educational services (Submission No. 3, p. 3).

Professor Helen Hughes, said that the best opportunity for selling education abroad lay in the North American 'junior year abroad' encouraged by the four year liberal arts colleges in the United States (Hughes 1990, p. 11).

The National Centre for Development Studies said:

Present marketing of "junior year abroad" courses ranges from naive to totally inept. Approaches through education 'fairs' are largely a waste of resources. Exchange agreements are cumbersome and inappropriate. A direct approach to selected colleges could double the number of overseas students coming to Australia in a relatively short time (Submission No. 93, p. 17).

Education Victoria praised the past operations of Austrade and considered that it should have a continuing role in the promotion of education exports. It went on to say:

Austrade also has an important role to play in those areas where there are no Australian Education Centres (virtually everywhere outside of East and South East Asia). It can provide an effective introduction to new market opportunities through its office network ... (Submission No. 29, p. 13).

Export Market Development Grants Scheme

Under this scheme grants are provided to small to medium sized exporters to seek out and develop overseas markets. Austrade provides cash grants based on eligible expenditures incurred on export promotion in the preceding year. Changes were made to the Scheme in 1990. The number of payments is now limited to eight. The minimum expenditure threshold was increased from \$10 000 to \$30 000 with expenditure after the first \$15 000 eligible for reimbursement. The maximum grant was increased to \$250 000 (with an export ceiling of \$25 million) and the grant rate reduced to 50 per cent of eligible expenditure. Austrade said:

Certain industry associations may be able to claim grants for promotion of members' products/services under the 'Approved Body' provisions of the legislation (Submission No. 153, p. 3).

Austrade said that grants paid to claimants in the educational services category amounted to \$7.3 million in 1987-88, \$10.3 million in 1988-89 and \$13 million in 1989-90.

The University of Melbourne said:

The EMDG is an important aspect of establishing new markets and without it the success to date could not have been achieved (Submission No. 23, p. 13).

Most education exporters said that they made use of the EMDG scheme and wanted it to continue. Amongst others, the TAFE National Overseas Network requested that the limit of eight incentive payments available under the EMDG scheme be increased. It argued that it could take up to six years of recruitment activities before an institution is able to commit risk capital to opening up new markets and it then takes some years to get a return on that risk capital.

AISWA said:

Opportunities available to schools under the EMDG scheme have probably been little exploited, chiefly in the light of the fact that relatively few schools enrol enough students to qualify for the base parameters. It would be worth the government's while to consider the possibility of expanding the EMDG scheme to embrace schools, and perhaps pilot programmes offering special incentives to schools in this area would be beneficial (Submission No. 192, p. 7).

The Commission understands that recent amalgamations of some tertiary institutions may reduce their ability to claim through the EMDG scheme. Whereas previously each institution could claim up to the maximum permitted by the scheme, now only one claim up to the same limit may be made by the amalgamated institutions.

The AVCC argued that:

... an institution which had not been assisted to the extent of the maximum permitted under the previous legislation, prior to a merger with another higher education institution, should be able to transfer to the combined institution the balance of its initial entitlement, receiving treatment similar to that envisaged for affiliated companies (Submission No. 182, p. 6).

International Development Program

The International Development Program of Australian Universities and Colleges (IDP) is a non-profit making company established by the universities and colleges in Australia in 1969, originally to provide assistance to government agencies and institutions in developing countries. IDP provides information on the educational resources of Australia's universities and other institutions which offer technical and further education. In the 1980s IDP began to develop a network of overseas offices and in 1987-88 it established an Education Information and Counselling Service.

The services provided by IDP can be broadly divided into two categories. First, it advises overseas governments and institutions on the development of new or existing educational systems, including the provision of staff and training in academic, administrative, technical and vocational areas. IDP, in conjunction with Australian education institutions, can contract for a range of services relating to international development projects. These include identifying project possibilities, preparing tender proposals and managing projects; and technical assistance projects in specific areas such as curriculum development, course design and library development.

Second, it advises on the availability, content and quality of Australian courses for organisations or individuals who wish to study at Australian education institutions.

In those countries where there is no AEC, the IDP office assists with promotion by representation of institutions at exhibitions, cooperation with Austrade and distributing promotional material to diplomatic posts.

Australian Education Centres

In August 1989, a report on the need for a more cohesive approach to promotion was released by a panel of Commonwealth and State/Territory governments and the education industry. It found that:

... the promotion of Australian education services is less integrated than that of competitor nations and that initial Australian gains in international education market share may soon be lost to competitor nations if a more effective and cohesive promotion and students servicing strategy is not adopted (AEC 1989, p. 910).

In December 1989, after calling tenders, the Government contracted IDP in association with Qantas to establish Australian Education Centres (AECs) across the Asia Pacific region. IDP said that the rationale behind the AECs was:

... that both prospective students and Australian education are best served by an Australian Government-endorsed centre which ... provides comprehensive, impartial and reliable information and counselling about study opportunities in Australia (Submission No. 101, p. 3).

AECs recover their costs from students and from institutions which subscribe to their services. Subscriptions rates vary depending on the type of institution. For higher education institutions, for example, 1991 fees comprise a registration fee of \$1 500 to \$20 000 based on the number of courses and a charge of 5 per cent of the first year's fees for processing applicants, up to a maximum of \$600 per applicant. IDP's estimates of the average application charge for each type of institution are shown in table 11.1.

Table 11.1: IDP: average student application charge by type of institution

<i>Type of institution</i>	<i>Average charge (\$)</i>
Higher education and TAFE	450
Schools	275
ELICOS	250
Private colleges	300

Source: IDP, Submission No. 119, attachment 1.

IDP said that revenue is derived from four main sources - annual subscriptions, application processing fees paid by institutions for successful placements, visa assistance fees paid by students and charges for office services. In 1991-92 the AEC network expects to make a small surplus which will be used to reduce charges to subscribers and to improve resources. IDP said that it has given an undertaking to higher education institutions that subscription charges will not be increased in 1992 and that the charging structure will be reviewed in 1991.

At the draft report hearings, IDP said that, for 1990-91, subscription income was about \$800 000 and enrolment processing income about \$1 000 000. It expects that, for 1991-92, greater income will be derived from application processing. This will occur because fees rose in March 1991, and because it expects increased numbers of students to be processed through AECs. IDP also said that this year it is operating at a deficit of about \$400 000, which will be met by IDP organisations (Transcript, p. 980).

While many subscribers to the AECs are government-funded institutions, the AECs receive no direct funding for their activities from governments. They do, however, have status as:

... the only body endorsed by the Australian Government for the provision of information and counselling on study in Australia. Such exclusivity was embodied in the concept of the AECs as essential to warrant the significant investment required to establish the network (Submission No. 101, p. 1).

Student inquiries received by Australian diplomatic missions in countries where offices are installed are generally referred to the local AEC. IDP incorporated the AECs into its existing office operations. They were initially established in Bangkok, Hong Kong, Jakarta, Kuala Lumpur, Seoul, Singapore, Suva and Taipei between March and July 1990.

The establishment of 'shop-front' centres was intended to provide a clear Australian educational presence to attract overseas students and compete effectively with other countries. IDP said that the main functions of the AECs are:

to project a strongly identifiable Australian education presence;

to offer a one stop shop service, providing information and counselling, application processing and visa assistance for students; and

to represent impartially and equitably all subscribing Australian education institutions and to support their promotion and recruitment activities (Submission No. 101, p. 3).

Services provided to students include information, counselling on study options, processing of applications to institutions, processing of visa applications, English language testing and pre-departure assistance. Between July 1990 and February 1991 the AECs received almost 110 000 inquiries through the network. IDP said students are using the AECs to provide a larger range of options than is available elsewhere and to check the credentials or status of institutions, even if they eventually enrol elsewhere. It claimed that:

Australian education has never been better represented overseas and Australia's representation is more comprehensive than any of our competitors (USA, Britain, Canada and Japan) (Submission No. 101, p. 13).

The Melbourne Council for Overseas Students supported government funding of AECs to encourage unbiased marketing of Australian education services and considered it to be:

... in the interests of the Exports of Education Industry to have a Government controlled promotional arm where certain standards of honest representation can be assured (Submission No. 59, p. 10).

Sydney University supported the development of the AECs and argued that they should receive some government subsidy because some are involved in visa processing. The ELICOS Association said that the overseas offices and infrastructure involved in establishing the AECs were overly expensive.

Most participants approved of the way in which information was provided to students in export markets by the AECs. Education Victoria said:

There are, however, very real benefits with the AECs. The accessible "one stop shop" approach must benefit students and help to present a coherent picture of Australian education. Their semi-official status is a reassurance to students and their parents; the visa application and processing interface now has a more human touch (Submission No. 29, p. 15).

Nevertheless, submissions from both the formal and non-formal sectors of the market criticised other aspects of the AECs' operations. In particular, dissatisfaction was expressed about the recruitment activities of AECs. Beaufort College stated:

While there is a need for an organisation to provide information on education opportunities in Australia and to promote Australia as the best place to study, this should be done on the British Council model, rather than the one currently operating.

The current model where the A.E.C. competes with private agents is undesirable because it creates confusion amongst students and resentment amongst the private agents who are still the greatest source of students for most institutions. The effect is that private agents are losing interest in Australia as they feel the A.E.C. competition is unfair. If this attitude continues to be reflected by them the effect could be an overall reduction in students seeking to enter Australia to study (Submission No. 51, p. 3).

The Australian College of English expressed concern about the tensions which have developed between the AECs and private agents who represent Australian institutions. It suggested that agents should be involved in recruiting while AECs should provide general information and administrative services such as fee payment and visa lodgment.

Austrade advanced a similar view. At the draft report hearings, it said:

... our view would be that the situation would be much better in most countries if some method of co-operative efforts between the AEC on the one side and local agents on the other could be reached ... It is more a question of the two groups working co-operatively together to promote Australian education in the broad, with the agents ... having a role to promote particular institutions (Transcript, p. 884).

The University of Melbourne commented:

Confusion over the precise role of the AECs and questions concerning their effectiveness raise doubts about their future viability. It is possible that they could function as a show-case for publications and an application processing centre but there must be a question about their ability to deliver an effective counselling service. They already represent too many interests to serve them all well. With around 220 member institutions now and 400 invited to join for 1991, AEC counsellors cannot hope to be across the vast range of Australian study opportunities available to prospective students (Submission No. 23, p. 13).

The University of New South Wales was also critical of the operations of the AECs. It said that the AECs were inferior to the British and American promotional organisations. The inability of the AECs to counsel students properly was seen by the University as its greatest weakness. It said:

Nobody working in the admissions sector of universities could possibly hope to become familiar with all the courses being offered in Australia, their relative entry standards, and other related considerations. It is ridiculous to imagine that foreign nationals working in AECs could do better than indigenous Australians actually working in the universities. By way of contrast, an agent with, say only five universities to represent, might have a fighting chance of commanding sufficient knowledge to properly counsel an applicant, and do the best by his small stable of universities. An agent would not usually represent two direct competitors (Submission No. 78, p. 6).

Murdoch University agreed about the difficulties facing AEC staff in trying to promote all institutions in an adequate fashion. It went on to say:

Agents, with proper guidance, are more informed about their clients and can be more cost effective (Submission No. 28, pp. 6-7).

IDP acknowledged that no counselling service can be completely objective but said that it had developed:

... policies and procedures ... to maximise the extent to which the ideal of impartiality can be realised (Submission No. 119, p. 3).

IDP acknowledged that placement in education institutions and visa assistance services are not provided to students by its overseas counterparts -such as the British Council - but said that these are part of the 'one stop shop' concept and that they account for about two-thirds of the AEC annual income. It said that:

While the Education Information Service ... of the British Council does not undertake a processing role for individual institutions, it does offer students access to the ... UK higher education centralised admissions centre. Students interested in study in Britain are not referred by the British Council to private agents (Submission No. 177, p. 1).

IDP also said that a pilot survey that it had conducted with students who had been counselled by the AECs showed that:

... the provision of information on a large number of institutions was an advantage rather than being perceived as an overload of information offering students too great a choice (Submission No. 101, p. 8).

On relationships with agents, IDP said that reaction by them to the establishment of the AECs ranged from tolerance to threats of violence. While IDP is aware of the claim that agents are directing their business to other countries it said that:

To date there is no evidence other than anecdotal to suggest a link between the establishment of AECs and the decrease in market share (Submission No. 101, p. 12).

Indeed, it said that there also have been decreases in markets where the AEC is not represented. These decreases, it said, could be related to other issues such as immigration processes. IDP said that it is currently examining the role that AECs should play vis a vis agents. Staff have been told to take a cooperative attitude towards agents and to provide them with access to generic educational publications, briefings on regulation changes and exhibitions attended by the institutions that they represent.

Although membership of the AECs is voluntary, many educational institutions appear to feel obliged to participate in the scheme. Because of the official nature of AECs, reflected in their endorsement by the Government and their close ties with Australia's diplomatic missions, public and private institutions believe that students would not readily accept them unless they are AEC members.

IDP acknowledged this, adding that:

Some institutions also believe that AECs cannot promote them adequately because of the impartiality brief which does not enable them to actively recruit students. This concern is particularly voiced among sectors (such as ELICOS and the private business colleges) which rely heavily on agents to spot students. AECs, they claim, do not enable institutions to dispense with agents, even if they wished to do so. The use of both AECs and agents has increased promotional expenses without necessarily generating the returns they had hoped for. These sectors have constantly negotiated cheaper rates with IDP (Submission No. 101, p. 12).

In response to the many criticisms made by participants during the course of the inquiry, IDP said:

IDP is currently undertaking a review of AEC operations and is consulting with its Policy Advisory Council ... and 200 subscribing institutions ... the development of appropriate models and funding options for the AEC network is a matter for IDP and the Australian institutions, under the terms of the contract between the Commonwealth of Australia and IDP (Submission No. 177, p. 1).

At the draft report hearings, IDP said:

This year we offered different subscription bases for each sector and different percentages of the tuition fees payable as the AEC processing fee ... I think the review is going to suggest that every sector, and even institutions within each sector, requires different types of services, different types of approaches ... we will certainly be looking, probably from next year, at sectors or institutions or subscribers only picking up certain countries, rather than having to subscribe to the lot (Transcript, p. 984).

11.3 Promotion undertaken by other countries

British promotion of education services is generally carried out by the British Council which has offices in over 90 countries. The British Council provides a wide ranging network of contacts between government department, universities, colleges and professional, business and arts organisations in Britain and around the world. It has five main activities: it helps people to study, train or make professional contacts in Britain and enables British specialists to teach, advise or establish joint projects abroad; teaches English and promotes its use; provides library and information services; promotes British education, science and technology; and makes British arts and literature more widely known. The Council initiates or supports overseas tours by British theatre companies, orchestras, choirs, opera and dance companies, and jazz, rock and folk groups, as well as by individual actors, musicians and artists. It also arranges for directors, designers and choreographers and conductors to work with overseas companies, orchestras and choirs. The Council organises and supports fine arts and other exhibitions overseas as well as British participation in international exhibitions and film festivals. It also encourages professional and academic interchange between Britain and other countries in all cultural fields.

The Council operates the Education Counselling Service (ECS) under contract to subscribing universities, polytechnics, further and higher education colleges, including independent colleges accredited by the British Accreditation Council for Independent Further and Higher Education, and Scottish central institutions. The ECS takes a more active role in promotion and recruitment than the British Council. It disseminates information and counsels potential students about the courses offered by participating institutions and channels applicants to appropriate places. It arranges overseas exhibitions and missions for subscribers, commissions market surveys of existing and potential markets which provide a guide for subscribers wishing to expand their marketing activity. It arranges visit programmes for subscribers visiting countries where there are offices. As at 1989, the ECS operated in Brunei, Cyprus, Hong Kong, Japan, Korea, Malaysia and Singapore. It recently expanded to Indonesia and plans to establish units in Brazil, Iraq, Jordan, Saudi Arabia and Turkey and has put funds into new posts and promotional activity in India and the Gulf countries. The ECS is funded through subscriptions from participating institutions.

These services are said to present a high quality, reputable image of British higher education, providing direct access to a centralised application agency in the United Kingdom and providing information on courses on an impartial basis. They are an official Government activity and have received some Government subsidy in the past.

The British Council also provides information on the equivalence of overseas qualifications and maintains a voluntary accreditation system for English language institutions and independent and higher education colleges.

The United States has a more diffused approach to promotion overseas. The United States Information Service (USIS) provides generic information on education possibilities (and a large range of other matters) in 140 countries. Other organisations operate in certain countries, for example the American Indonesian Friendship Association. USIS is financially backed by its Government. Because of the number of institutions in the United States, assistance to specific institutions is limited.

11.4 Should government be involved in promotion?

Suppliers undertake promotion to increase the demand for their particular products. In the case of exports of education the customers are found in markets which are physically separated from the suppliers of the service. Students are unable personally to 'check out' the service offered by each institution in order to make an optimum decision. In the markets targeted by Australian education exporters there are also considerable cultural, social and language differences to be taken into account which further complicate both the way in which the services are offered to the student and the student's decision making process.

Exporters of education try to overcome these difficulties in several ways. They use private agents to recruit students, market their courses through the AECs where these are suitably located, use the services of Austrade, and establish direct links with overseas markets by, for example, sending their academics abroad on recruitment drives. Some institutions use all of these approaches, making their own judgments as to the appropriate balance of each for their particular needs. Equally, students use all of these services and also rely on other information such as word-of-mouth to form their own judgments about particular countries and institutions.

It is argued by some that there are two roles for government in this activity. First, some aspects of the export of education services necessarily require government involvement because of the need to negotiate removal of institutional barriers or facilitation of trade. Examples of this include bilateral exchanges or scholarship schemes. The Australia-Japan Research Centre said that:

The development of the most valuable Asian markets for Australian education services will continue to be limited unless the removal of institutional barriers to trade in these services is negotiated. Initiatives, such as that of the Australian Vice Chancellors' Committee and its Working Party on Educational Exchanges with Japan, need to be supported by government-to-government understandings on trade/exchanges in educational services and related foreign policy objectives (Submission No. 114, p. 3).

Second, it is argued that market failure exists, leading to the result that, if left to themselves, institutions would insufficiently undertake promotion and recruitment overseas. It would, for example, rarely be the case that a single institution would have sufficient incentive to bear the cost of generic promotion of Australian education as a whole. Yet agreement among the whole group of suppliers to share costs for generic promotion may be impossible to obtain, simply through sheer numbers of institutions and the extent of the negotiation involved. Moreover, there would be an incentive for some to refuse to contribute and thereby 'free ride' on others. Here, some would argue, there is a role for the government to step in and provide the service.

A related, but different, problem arises if the expenditure on promotion of one institution generates benefits for others. In education this might occur when the first graduates of an Australian institution return to their own country. Favourable experiences are usually communicated. Such word-of-mouth promotion can produce more students for other institutions. Yet the institution which takes the first students has little incentive to take account of future demand for any but its own courses. In this case too it can be argued that some assistance for promotion might reap greater benefits than cost.

What government assistance is provided now?

The Government has to some extent addressed these problems by the different forms of assistance it now provides to education exports. Some assistance is clearly aimed at providing generic promotion to offset what is judged to be market failure in private promotion efforts. The basis for the special role of the AECs, and for the present and past involvement of Austrade, is the Government's view that without its intervention the promotion of Australian education would be insufficient and would not be well-focused.

Austrade, for example, receives direct funding assistance from the Government to have a continuing involvement in promoting education exports. The AECs receive government assistance not by way of subsidies, but through their special status as the only bodies endorsed by the Australian Government to market Australian education. Part of this involves a special relationship with Australia's diplomatic missions. Thus there is government assistance to generic promotion provided through the work of both Austrade and the AECs.

In addition, some government assistance is also specifically aimed at encouraging individual institutions to undertake their own overseas marketing and promotion. This assistance is provided under the EMDG scheme in the form of cash grants, based on eligible expenditures incurred on export promotion. These grants totalled \$13 million in 1989-90. This assistance primarily benefits the promotion efforts of individual institutions, but it may also lead to spillover benefits to others in the industry.

The role of the AECs

During this inquiry, participants mainly focused their comments on the AECs and the emerging uncertainty about their appropriate role.

In their role of promoting individual institutions, the performance of the AECs will be judged relative to that of alternative means of promotion. Institutions will make their own judgments as to whether they gain or lose from subscribing. Time will tell if the rate of takeup of subscriptions alters each year. This should determine the future role of the AECs, and if found not to be meeting demand, its revenue base will be threatened.

At present, many in the industry consider that there are benefits arising from promotion of exports by the AECs, and that institutions are prepared to pay to obtain them. There is no compulsion to join the AEC arrangements, but a high proportion of institutions have done so.

Nevertheless, while many participants approved of the idea of AEC promotion it was clear that most still valued an individual approach to prospective students highly and were prepared to pay for agents to market their services in this way, sometimes in the same locations that are serviced by the AECs.

In addition to private benefits, there are clearly some positive spillovers from promotional activity undertaken by institutions and bodies like the AECs. On one interpretation the AECs have taken over and perhaps improved on the work done by Austrade. Students seem to have gained by having all services available at a single location. To the extent that AECs provide generic information and visa assistance, they are carrying out work of a kind usually done by Austrade and diplomatic missions.

Many formal sector institutions said they supported the concept of the AECs and their generic promotion role, although some had reservations about aspects of their operations. For example, a number said that they would prefer the AECs to confine their activities to generic promotion and not to market on behalf of individual institutions.

Against this, however, some participants from the non-formal sector of the industry were totally opposed to the AECs. Rather than creating spillover benefits, the AECs were seen as creating spillover costs. Participants said that the recruitment functions and visa assistance activities of the AECs have alienated agents in the countries where they have been established.

Where tension between agents and the AECs results in increased competition it may not be unproductive. However, in some cases, disaffected agents were said to be actively working to direct prospective students to other countries. IDP said that it is still coming to grips with its relationships with agents but that it did not expect that there would be any detrimental effects to Australia's education exports in the longer term arising from the present problems.

The AECs have been fully operational for less than one year. They operate on a full cost recovery basis, and subscription is voluntary. They undertake some generic promotion. However, their activities have interfered with the usual institution-agent relationship, and other difficulties have arisen because of their special government endorsement. Because of this endorsement, some institutions have felt obliged to subscribe, and it can be argued that this has caused more resources to be invested in AECs and, perhaps, correspondingly less in other private avenues. On the other hand, the current role of the AECs seems to mitigate the problem of 'free riding'.

Is there a case for change?

Some participants suggested that one approach might be to limit the activities of the AECs to promoting Australian education as a whole, in much the same way as the Australian Tourist Commission promotes Australian tourism. It was suggested that some government funding be provided for this.

To justify providing additional government assistance to this activity, it needs to be shown that there would be gains to the economy as a whole which exceeded the costs of intervention. It may be, for example, that there are market failures, such as institutions 'free riding' on the promotional

efforts of others, and that this leads to underpromotion from the viewpoint of Australia as a whole. However, market failures such as this occur in many activities; most are not significant enough to justify government intervention to correct for their effects. For this to be worthwhile, it needs to be demonstrated that, first, there are net gains in doing so and, second, that the measure chosen represents the most efficient approach.

Any current underpromotion, and therefore any judgment as to whether the current level of Government subsidy is the 'right' one, is difficult to measure for a number of reasons.

First, there is a significant amount of overseas promotion being undertaken, using a variety of methods. Apart from the AECs, there is a large and active private agents market available to promote Australian institutions, and significant direct recruitment activities by institutions themselves. As a result of these activities, there can be expected to be spillovers from this to Australian education generally. This will lead to flow-on effects as information about Australian education becomes more widespread.

Second, it is not clear what the right mix of private and generic promotion should be. There are clear incentives for institutions to undertake promotion and recruitment, and this is occurring, and producing spillover effects for other institutions. But it is not clear whether the benefits of generic promotion are in fact significant. There is some evidence that important generic promotion of Australian education comes about by favourable word-of-mouth information from students who have returned home. In this way, Australian institutions generally may receive external benefits from students of those institutions which treat overseas students well.

Third, if it is judged that there is some value in additional generic promotion, this could be provided privately. While many participants said they did value generic promotion, for some it was on the basis that this be government-funded. However, others indicated a willingness, at least in principle, to contribute towards the funding of generic promotion. If they see value in the generic promotion of their sector of the industry, industry groups like the AVCC or the ELICOS Association have some scope for reducing any 'free rider' problems, either by drawing on funds provided by members' subscriptions or by directly levying members for this purpose.

The Government assistance measures now provided to this industry are intended to assist both generic and institution-specific promotion efforts. While these provide encouragement to promotion by particular institutions, there may be spillover benefits to other institutions in Australia. And while institutions continue to receive government assistance from these measures, the case for any additional government assistance for generic promotion is even less compelling.

However, while the AECs are specific to education, the EMDG scheme and the services of Austrade are generally available to a wide range of exporters in different industries. Arguments for increased government assistance to export promotion on the grounds of possible underpromotion can be made in principle in many industries. The case for special assistance to this activity needs to be compelling.

In the Commission's view, there are good reasons for believing that any current underpromotion is small. At a minimum, the Commission does not consider that any such underpromotion could be significant enough to justify additional government assistance over and above that already provided through EMDG and Austrade, and through the Government's special relationship with the AECs.

The Commission did not reach a view on whether the current assistance to this activity is too large or too small. In its view, the difficulty is not the size of the subsidy but whether this is delivered in the right way. Put another way, the issue is not the right level of generic promotion, or the mix or generic and specific promotion, but difficulties with the workings of the AECs.

Notwithstanding this view, the Commission will not recommend any changes to the AECs in the context of this inquiry. The decision to subscribe to the services provided by the AECs is voluntary; there are other ways of recruiting students. Such decisions are the result of choices by institutions as to how best to spend their promotion/recruitment funds.

Moreover, the AECs are relatively new, and are going through a period of evaluation and review. Criticisms made by subscribers during this public inquiry are being taken account of, and may lead to different ways of providing services and of charging. They are also reviewing their relationships with private agents, the source of some concern among Australian subscribers. It appears likely that some changes will occur in the way the AECs operate, and in the way they charge. And taking away the rights of the AECs to enrol individual students would deny them a major income source and effectively make them non-viable.

In the Commission's view, the case for a recommendation to limit the roles of the AECs at this point would need to be more compelling than can be made with the information available to this inquiry. **It sees merit in this review process being given time to be worked through. However, if the review fails to meet the valid concerns of institutions, the Government will need to reconsider fully the mandate of the AECs, before the expiry of IDP's contract.** Paramount to such a reconsideration is the question of AECs' competitive advantage over agents, which arises from its endorsement by the Commonwealth, and the effectiveness of alternative models, such as the British Council.

A final note of caution should be sounded. It was noted earlier in this report that difficulties in parts of the non-formal sector are said to have damaged Australia's reputation as a provider of quality education services. There is, however, an opposite danger that too much reliance on generic promotion of Australian education will increase, rather than decrease, the effects of such problems.

There are sometimes more benefits from the efforts of individual institutions to promote themselves and to build up their own reputations for quality of education and other services to overseas students. In this way it can be expected that institutions which do this well will be largely insulated from any flow-on effects of problems in other parts of the industry.

In the Commission's view, it is better that any fallout from one institution's problems be limited to that institution. The best way for other institutions to protect themselves is to endeavour to develop a reputation, either as an individual or group, in overseas market and not rely on generic promotion to raise the profile of Australian education as a whole.

The AECs and fee for service

The IDP did not seek government funding for the operations of the AECs. It did, however, argue that it should be paid on a fee for service basis where it carries out work which would otherwise be undertaken by government bodies, such as visa assistance for students. The IDP has approached DILGEA for payment on a fee for service basis for visa assistance including the collection and transfer of visa fees to Australian diplomatic missions. The Commission understands that this is being negotiated at the moment.

As was noted in chapter 5, students currently pay a fee for visa which is said to incorporate costs of administration. While the Commission has earlier argued that the implementation of that charging principle needs careful examination, it could be argued that at present, some visa administration costs are charged twice: once to the student directly and once more through the additional fees charged by institutions to cover visa costs passed on by the AECs. This is not efficient.

It may be that the AECs are effectively acting as administrative subcontractors to the immigration authorities, who charge separately for the visa processing service. If so, or if current negotiations result in this, then the AECs should be compensated by DILGEA on a fee for service basis. The AECs could then adjust their charges accordingly.

APPENDIX A: LIST OF PARTICIPANTS

The following companies, organisations made submissions to this inquiry. Submission numbers are shown in brackets. Those participants who presented submissions at the draft report hearings are marked with a hatch (#).

Academy of the Social Sciences in Australia (16)
ACT Government (200)
ACT Ministry for Health, Education and the Arts (102, 166)#
ASSE International Inc (21)
Association of Independent Schools of Victoria Inc (20, 136)#
Association of Independent Schools of Western Australia (147, 192)#
Australia-Japan Research Centre (114)
Australian College of English (38)
Australian Council for Private Education and Training (145)#
Australian Institute for University Studies (146)
Australian Library and Information Association (181)
Australian Management College, Mt Eliza (31)
Australian National University (107, 126, 159)#
Australian Planning and Training Associates Pty Ltd (57)
Australian Society of CPAs (30, 134)
Australian Teachers Union (99)#
Australian Trade Commission (103, 153)#
Australian Vice-Chancellors' Committee (80, 182)#
Barker College (87)
Beaufort College (51)
Birrell, Dr R and Smith, Prof T F (26)
Bond University (48)
Buckland College (33)
Burnett, N J S and Barton, G (64)
Careers Business College Pty Ltd (72, 191)
Centre for International English, Curtin University of Technology (82)
Circulation Librarian, Hong Kong Polytechnic Library (54)
Clayton, J F (94)
Coffey MPW Pty Ltd (63)
Computer Training Institute (143)#
Cooper, B (154)#
Council of Australian Postgraduate Associations Inc (151)#
Council of Groups Supporting Overseas Students in Tasmania Inc (27)
Creative Ministries International (105)#
Currie Hall, University of Western Australia (42)
Curtin University of Technology (88)
Curtin University Student Guild (172)#
Deakin University (55)
Department of Education, Northern Territory (41)

Department of Employment, Education and Training (128, 158, 189,198)#
Department of Employment, Industrial Relations and Training, Tasmania (117)
Department of Employment and Technical and Further Education, South Australia
(66, 193)
Department of Foreign Affairs and Trade (195)
Department of Health, Housing and Community Services (201)
Department of Immigration, Local Government and Ethnic Affairs
(73, 125, 167, 183)#
Department of State Development, Western Australia (123)
Edith Cowan University (37, 196)
Edlink Pty Ltd (19)
Education Department of South Australia (70)
Education Victoria (29)
Edwards Group of Colleges (52)
Edwards, M (169)
ELICOS Association Ltd (118, 129, 162)#
Eltham College (83)
Excel Education Pty Ltd (18, 109)#
Export and Commercial Research Services (187)
Fairfield Migrant Interagency (185)
Federated Council of Academics, Federated Australian University Staff Association
and Union of Australian College Academics (130, 160)#
Flinders University of South Australia (77)
Fujak, B, Hosowicz, D and Papapavlou, K (39)
Gale, W M (133)
Goldring, Prof J (1)
Government of Tasmania (127, 202)
Griffith University (104, 199)
Hobsons Press (Australia) Pty Ltd (43)
Holmes Colleges (138)#
Hurford, The Hon C J, Australian Consul-General, New York (11, 110)
Independent Teachers' Federation of Australia (156, 188)#
Insearch Language Centre (45, 157)#
Institute of Applied Linguistics, Queensland University of Technology (13)
Institute of Chartered Accountants in Australia (76)
International Development Program of Australian Universities and Colleges
(101, 119, 163, 177)
International Organization for Migration (61)
International Student Services, Queensland University of Technology (84)
Job Watch Inc (115)
Julius Kruttschnitt Mineral Research Centre, University of Queensland (10)
La Trobe University (58)
La Trobe University Students Representative Council (175)#
Macquarie University (95)
Marcus Oldham Farm Management College (100)
Melbourne Council for Overseas Students Inc (59)#
Melbourne Learning Centre (168)

Milner International College of English (WA) Pty Ltd (6)
Milton Language Centre (7)
Ministry of Education, Western Australia (46)
Monash University (140)#
Moore, H (184)#
Murdoch University (28, 137, 178)#
National Centre for Development Studies (93, 165)#
National Council of Independent Schools' Associations (74, 164)#
National ELICOS Accreditation Scheme (92)
National Liaison Committee for Overseas Students in Australia (112, 148)#
New Australian International English College (34)
New South Wales Adult Migrant Education Service (90)
New South Wales Government (155)#
Online Education Services (35)
Overseas Student Advisers' Network (56, 152)
Overseas Student Unit, Swinburne Institute of Technology and College of TAFE (49)
Overseas Students, Graduates and Nurses Association of Australia (116, 176)#
Ow, P (170)
Phoenix English Language Academy (50)
Postgraduate Students Area Committee of the University of Queensland Union (44)
Professional Business Colleges of Australia (12)
Qantas Airways Ltd (47)
Queensland Association of Registered Colleges Inc (120)
Queensland Committee for Overseas Students Inc (24)
Queensland Conservatorium of Music (15)
Queensland Council for Overseas Students Inc (179)
Queensland Government (124)
Queensland University of Technology (60)
Rhema Bible College (62)
Royal Melbourne Institute of Technology (203)
Royal Melbourne Institute of Technology Research & Development (86)
Royal Melbourne Institute of Technology and Technisearch Ltd (85)
Salleh, H (2)
Semler, W P (14)
Shelford Anglican School for Girls (5)
South Australian Credit Transfer Project (139)
South Australian Government (79)
Spear, Dr R H (40)
Sri Lankan Postgraduate Collective of Melbourne (108)
St Paul's School (75)
STA Travel (25)
Sydney Committee for Overseas Students (9, 171)
Sydney English Language Centre (97, 161)#
Taylor's Schools Ltd (96, 113, 141)
Technical and Further Education, National Overseas Network (36, 186)
Technical and Further Education, Queensland, International Programs (8)#
Technical and Further Education, Western Australia (173)

Tindle, E (4)
Trutwein, J (121, 122, 132)
Tuart College (144)#
University of Canberra (69, 197)
University of Melbourne (23, 135)#
University of New England, Department of Aboriginal and Multicultural Studies
(81, 131)
University of New England, Office of the Vice-Chancellor (17)
University of New South Wales (78, 150)#
University of New South Wales, Faculty of Engineering (67)
University of Queensland (106)
University of Sydney (89)
University of Sydney, Faculty of Education (22)
University of Tasmania - Launceston, Overseas Student Advisor (32)
University of Tasmania - Launceston, Student Association Inc (98)
University of Western Australia, Overseas Students Office (111, 142)#
Victoria University of Technology (68)
Victorian Government (190)
Waldron, M B (174)
Wells, Prof M (3, 65)
Western Australian Council for Overseas Students (71, 149)#
Western Australian Private Education and Training Industry Association Inc
(53, 194)#
Women's Electoral Lobby Australia Inc (180)
Worksafe Australia (91)

The following individuals did not provide written submissions but gave oral evidence at the public hearings. Their submissions are recorded in the transcript of proceedings.

Perth, 4 July

Mr D Smith
Mr G Nalder

Sydney, 9 July
Ms P Carosi

APPENDIX B: LIST OF GAZETTED COUNTRIES

Northern Europe

Austria
Belgium
Czechoslovakia
Denmark
Finland
France
Germany
Hungary
Ireland
Netherlands
Norway
Poland
Sweden
Switzerland
United Kingdom
USSR

Southern Europe

Cyprus
Greece
Italy
Malta
Portugal
Romania
Spain
Yugoslavia

Middle East

Arab Republic of Egypt
Kuwait
Saudi Arabia
Bahrain

Asia

Brunei
Japan
Malaysia
Singapore

North America

Canada
USA

Oceania

New Caledonia
New Zealand

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