

# **English Australia Submission To the Productivity Commission's Inquiry into Government Cost Recovery Arrangements**

## **1. Introduction**

English Australia (EA) acts for and on behalf of the ELICOS Association – the national industry association of institutions in Australia which teach English to international students. The EA currently has sixty-six member institutions throughout Australia.

The English language training sector of Australian international education, known as the ELICOS sector, is self-funded, not government funded. The sector is comprised of both private and public institutions. Private colleges include companies owned by multiple shareholders, family owned companies and companies limited by guarantee. Some are English language training institutions only, whilst others are ELICOS centres within private vocational educational institutions or secondary schools. Public sector ELICOS centres are usually self-funded centres, not in receipt of government funding, within universities or TAFE institutions.

ELICOS institutions are required to meet many of the costs of government cost recovery, which apply to organisations and companies both within and external to the education sector. These include licensing fees to the Copyright Agency Limited and screen-rights. Private sector ELICOS centres, or the companies which own the centres, are also required to meet the costs of government cost recovery which apply to companies, such as Australian Securities and Investment Commission fees. The following information relates to charges which apply specifically to Australian international education providers and which are additional to charges that apply to organisations and companies in all, or many, sectors.

It is estimated that the international education sector in Australia earns more than \$3 billion in foreign exchange earnings per year. The English language training sector generates approximately \$600 million per year in educational and non-educational spending by students and their visitors.

Over the past four years government cost recovery arrangements have impacted severely upon the international education sector, including the English language training sector.

## **2. Fee for Service**

The following government fee-for-service arrangements impact directly upon the English language training sector of Australia's international education.

## **2.1 *Australian Education International***

The Commonwealth Department of Education, Training and Youth Affairs (DETYA) recovers some of the costs of managing and administering Australian Education International (AEI), a section within DETYA, by inviting institutions and other interested organisations (eg. industry peak bodies) to subscribe to AEI's In-Country Services and AEI Industry Web Site. Contractual services are also made available on a fee-for-service basis. Subscribers to In-Country Services have access to:

- Consultation with AEI Counsellors and Senior staff overseas;
- Regular market intelligence;
- Information on in-country market opportunities;
- In-country assistance support, including door opening, information on and assistance in dealing with in-country agents; priority access to AEI facilities; assistance with qualifications recognition and preliminary evaluation of in-country institutions and qualifications for academic purposes;
- Provision of information regarding their institutions to students through Australian Education Centres and AIE offices, local language web sites and outreach activities, references sites, promotional events and the media.
- Opportunities to be involved in sectoral promotional initiatives; and
- Discounts on other services including 20% discount on AEI contractual services.

Institutions are charged fees for the above in-country services, varying between \$500 and \$18,700 per annum, depending on the number of international students enrolled with the institution and the number of markets/countries to which the institution subscribes (maximum 10 countries). In the case of ELICOS sector institutions, the maximum fee payable for In-Country Services is \$6,600.

Subscriptions to the AEI Industry Web Site vary between \$275 and \$2,200, depending on international student numbers.

AEI contractual services are charged at the rate of \$150 per hour, except for the use of Australian Education Centre facilities, which are charged at \$50 per hour or \$200 per day.

## **2.2 *Austrade***

Austrade charges Australian international providers a cost recovery fee of \$150 per hour for work undertaken. This cost is often prohibitive,

despite the potential for projects to attract higher numbers of international students to Australia and, therefore, attract increased foreign exchange to Australia. For example, Austrade recently submitted a proposal to manage a European Roadshow for ELICOS providers to promote Australian English language training in the provincial areas of France, Spain and Italy. According to Austrade's proposal the project would cost English Australia \$17700 for France, \$3750-\$4500 for Spain and \$27900 for Italy for Austrade time (excluding other expenses such as seminar venues, participation in exhibitions, travel, etc.). Due to the high costs of government cost recovery arrangements English Australia chose not to proceed with this project.

### **2.3 *Student Visa Fees***

The Australian Commonwealth government charges one of the highest student visa fees in the world – perhaps the highest. Currently the cost of an Australian student visa is A\$290. Commonwealth revenue from the student visa fee in the 1999/2000 financial year is calculated to have been A\$43,804,210.

The student visa fee includes a Student Information Service Fee (SISF) of \$30, introduced on 1 May 1997. Commonwealth revenue from the SISF in the 1999/2000 financial year, included in the amount above, is calculated to have been A\$4,531,470. Prior to the introduction of the SISF, the government advised, via public statements and correspondence to EA, that revenue from the SISF would be used to off-set the costs of provision of government information to prospective international students, including financial support for Australian Education International (then the Australian International Education Foundation). (See Attachment A)

Since the introduction of the SISF, EA and other peak bodies in Australian international education have been informed that revenue to the government from the SISF is regarded as a tax and is channeled into government consolidated revenue. That is, the revenue from the SISF is not being used to support Australian Education International, as per the government's undertakings in 1996. The Commonwealth recovers some costs of maintaining Australian Education International by means of subscription charges and direct fee-for-charges (see above).

### **2.4 *Student Pack***

If implemented, reforms to the student visa program planned by the Department of Immigration and Multicultural Affairs will result in a more transparent but also more complex system. The proposed system

applies different criteria for students enrolling in different sectors of international education (such as the English language training sector) according to risk category of the student's country of origin. DIMA plans to produce a detailed student pack as a comprehensive guide to this complex student visa application process. This pack will be useful to institutions and their agents in providing counselling and advice to prospective students. DIMA has indicated that the student pack will be made available on a cost recovery basis, at a charge of \$10.00 each.

## **2.5 Annual Registration Charge**

In order to enroll international students educational institutions are required to be registered on the Commonwealth Register of Institutions and Courses for Overseas Students (CRICOS). The CRICOS is administered by the DETYA. Since January 1997 DETYA has charged all CRICOS-registered institutions an Annual Registration Charge. Annual Registration Charges are calculated according to the number of student visa holders enrolled at an institution and currently vary between \$308 and \$5,136. Legislation is currently before Parliament which aims to increase the charge for 2001 to range between \$400 and \$8,000, increases of between 30% and 50%. DETYA has calculated that income from the Annual Registration Charge for the year 2001 will be \$1,512,119.00. It is estimated that approximately \$600,000 of that amount will be generated by the ELICOS sector.

In calculating the amount of Annual Registration Charge payable, institutions are required to include only student visa holders and students enrolled for less than 26 weeks are required to be counted as 0.5. Repeatedly, however, when DETYA issues Annual Registration Charge notices the Department fails to point out that students enrolled for less than 26 weeks are to be counted as 0.5. It is highly likely that some institutions are misled into believing that every student is to be counted as 1, regardless of the length of enrolment. Thus, it is likely that the Commonwealth is receiving money additional to that which it is entitled to charge. This matter has been brought to the Department's attention a number of times but no attempt appears to have been made to overcome the problem.

NB: The above information refers to Commonwealth registration charges only, and is exclusive of state government charges. In order to be included on the CRICOS institutions must first be registered by their state/territory government. Charges for state/territory registration vary.

## **2.6 Accreditation**

In order to obtain state government registration and subsequent inclusion on the CRICOS, education providers are required to be accredited by the relevant state government or by a body authorised by

the relevant state government to carry out this function. The authorised accreditation body for the ELICOS sector is the National ELT Accreditation Scheme (NEAS).

According to the Productivity Commission's *Issues Paper October 2000* relating to Cost Recovery, the inquiry will "take note of quasi-regulatory bodies implementing Commonwealth policy or underpinned by Commonwealth legislation." The role of the NEAS is to implement Commonwealth legislation/regulations/policy as NEAS accreditation is a prerequisite to Commonwealth registration, which is required in order for an education provider to recruit international students and provide education services to them.

The NEAS receives no government funding, from either Commonwealth or State governments for the accreditation of ELICOS providers. The roles and functions of the NEAS in accrediting ELICOS providers are funded on a cost recovery basis, paid for by ELICOS providers. NEAS charges to ELICOS providers are as follows:

|   |          |
|---|----------|
| Application for candidacy fee:<br>(Payable on application for candidacy)                          | \$2,530  |
| Candidacy fee<br>(Payable on receipt of notice of candidacy status)                               | \$2, 970 |
| Application for accreditation fee<br>(Payable on application for accreditation)                   | \$2, 695 |
| Annual maintenance fee<br>(Payable annually with annual accreditation return)                     | \$2,695  |
| Premises assessment fee<br>(Payable on application for accreditation of new or extended premises) | \$ 330   |
| Fee for appeal against accreditation decisions<br>(Payable at time appeal is lodged)              | \$3,850  |

## 2.7 ***Notified Trust Account Requirements***

The Education Services for Overseas Students (ESOS) Act requires all non-exempt CRICOS-registered institutions to maintain notified trust accounts into which tuition fees received from student visa holders must be paid. The Commonwealth prescribes rules concerning drawdown of funds enabling institutions to access their income from international students. For the most part, non-exempt institutions are private ELICOS and private vocational education institutions. Institutions in receipt of government funding, including many public sector ELICOS institutions, are exempt from these requirements.

It is estimated that the costs of maintaining notified trust accounts, including both staff costs and lost income from investment, may be as high as \$50,000 per annum for an ELICOS institution.

## **2.8 Tuition Assurance Schemes**

Non-exempt institutions are required to maintain membership of a Commonwealth-approved Tuition Assurance Scheme (TAS). EA operates an approved TAS. Revenue from TAS membership is not paid to the Commonwealth and, therefore, does not fall strictly into the category of government cost-recovery. However, TAS membership is related to other forms of government cost-recovery charges and is a direct cost of compliance with Commonwealth regulations.

The cost of membership of TASs varies. In the case of the EA TAS membership fees are currently \$8,635.00 per annum.

An approved TAS is required to assure that, in the event that a member closes or ceases to provide a course for which it has received tuition fees from student visa holders, the students will receive a refund or tuition equivalent to the tuition for which they had enrolled. In the case of most, if not all TASs, this involves requiring other members to accept students from the defaulting member without charge to the students. Thus, in the case of a member closing or ceasing to provide a course, this arrangement imposes costs in addition to the TAS membership fee.

## **2.9 Fidelity Fund**

Legislation currently before Parliament aims to replace Notified Trust Account Requirements with a requirement that non-exempt CRICOS-registered institutions pay into a Commonwealth government-approved fidelity fund.

According to DETYA's proposal, institutions, which are members of a TAS, will be charged less for subscription to the fidelity fund than institutions, which are not members of a TAS. DETYA has not confirmed the level of subscriptions. Furthermore, if passed, the legislation will enable the fund manager to charge special subscriptions if the manager believes this to be necessary. In the case of a subscriber which is not a TAS member defaulting, the fidelity fund will be used to provide displaced students with tuition equivalent to that for which they had paid fees. In the case of default by a TAS member, however, the TAS, not the fidelity fund, will be required to provide equivalent tuition. Thus, TAS members will be required to subscribe to the fidelity fund for the purpose of providing financial support to the government scheme and to other non-TAS member providers.

DETYA has indicated that the Commonwealth may be prepared to provide \$1 million in seed funding for the fidelity fund. However, advice from the government actuary indicated that if EA was to establish a fund for EA members only (ie. 38 non-exempt providers) \$2 million in working capital would be required, putting an EA fund beyond the capacity of the organisation and its members. More than 400 institutions will be required to subscribe to the fund proposed by the Commonwealth. Clearly Commonwealth funding of \$1 million will be inadequate.

## 2.10 **National Code**

Legislation currently before the Commonwealth Parliament proposes the introduction of a National Code which, if introduced, will be binding upon all CRICOS providers. It will introduce a set of requirements which state registration bodies will be required to apply when registering providers.

Implementation of the Code by state governments will require procedures and checks over and above those now carried out by most, if not all, state registration authorities. In consultations with the Commonwealth, state registration authority representatives have expressed concerns about the resourcing implications of these measures. DETYA has advised, however, that no Commonwealth funding will be provided to State governments, state registration authorities, accreditation bodies or education providers for implementation and maintenance of the National Code. Peak Bodies representing education providers, such as EA, are concerned that this situation may result in increased state government registration charges, so that state governments may recover the cost of implementing and monitoring the Commonwealth's National Code.

## 3. **Fee Without Service**

In addition to applying fees to services provided by the Commonwealth in order to recover costs, in recent years the government has been gradually establishing a fee-without-service regime.

In various ways the government introduced fee-for-service mechanisms on a cost recovery basis, but has since been 'off-loading' the related services onto Australian international providers and their clients, with the Commonwealth retaining the full fees. Though educational providers appreciate the more efficient service which they are able to provide to their students by means of 4.1 and 4.2 below, failure by the Commonwealth to waive some or all of the associated revenue collected for the provision of these services and for the services outlined in 4.3 and 4.4 below, which are not provided by the government, cannot be justified. Examples of government 'off-loading' of bureaucratic responsibility to institutions,

agents and students, without adjusting downward the Government's fees, include the following.

### **3.1 *Student Information Service Fee***

The SISF, outlined in 3.2 above, is charged to all student visa applicants, including those who obtain all information regarding Australia as a destination for their studies directly from their institutions and their agents. Due to the self-funded nature of ELICOS providers, the costs of providing such information is built into the fees charged by institutions. However, students are required to make a payment to the government of \$30 per visa for obtaining such information. That is, in many cases the costs of providing this service is borne by educational institutions but the associated revenue is collected and retained by the Commonwealth.

### **3.2 *Pre-Qualified Institutions***

The Department of Immigration and Multicultural Affairs (DIMA) introduced a Pre-Qualified Institutions (PQI) scheme whereby institutions, rather than government became responsible for checking students' bona fides. The full student visa fee for students enrolling and applying for a visa under this scheme is paid to, and retained by, the Commonwealth.

### **3.3 *Work Rights Visas***

Since 1 December 1998, Australian student visas issued off-shore have not included work rights. Students are required to apply for new visas which include work rights after they have commenced study in Australia. Students are charged a fee of \$50 for these visas.

Since introducing this requirement, DIMA has authorised a number of educational institutions to lodge work rights visa applications electronically and to enter the resulting work rights visa into the students' passports. The full \$50 fee for work rights visas lodged and issued in this way, like those lodged directly to DIMA and entered into students' passports by DIMA, is paid to the Commonwealth. The institutions concerned are required to forward the \$50 paid by a student to DIMA.

### **3.4 *Closure of Visa Issuing Posts***

Since 1996 a number of Australian visa issuing posts around the world have been closed. Though this has resulted in a reduction of services



to students in those countries, such students continued to be required to pay full student visa fees to the Australian federal government.

An example of this situation occurred in Switzerland. Prior to the closure of the Australian visa issuing post in Berne, Switzerland was one of the six largest student market source countries for Australia's English language training sector. Following the closure of the post students in Switzerland were required to obtain visas from Germany, regardless of the language background of the students concerned. Due to difficulties which occurred, and resulting declining student numbers from Switzerland, DIMA authorised a small number of agents to handle student visa applications, with visas still being issued by the Australian post in Germany. Authorised agents, however, receive no financial remuneration from the Commonwealth for the work which they carry out on the government's behalf. As a result the agents have found it necessary to charge prospective students for the documentation and application forms which they require in order to apply for an Australian student visa. That is, in addition to making full payment of the student visa application fee to the Commonwealth, students are required to pay the agents concerned for the related documentation.

#### **4. Impact**

The severity of the Commonwealth's cost recovery mechanisms which apply to Australian international providers reduces Australia's competitive advantage over other international education provider nations. The Commonwealth's cost recovery mechanisms both reduce the levels of funds available to institutions for the promotion and marketing of Australian education internationally and for the provision of services to international students and increase the costs of Australian education for international students.

During the economic crisis which commenced in Asia in 1997, the number of international students undertaking English language training in Australia declined by approximately 40%. The employment impact of this decline was such that a survey by EA showed that more than 400 jobs in the ELICOS sector had been lost by May 1998. Though student numbers have since begun to increase, recovery has been slow and numbers remain well below the sector's peak of 1996. Government cost recovery mechanisms reduce the resources available to English Australia and Australian ELICOS providers to address this matter and to act to increase foreign exchange earnings by increasing the number of students undertaking English language training in Australia.

Foreign exchange revenue is important to a country such as Australia, which is subject to an international trade deficit. EA strongly believes that the Commonwealth fails to give adequate recognition to the economic and social benefits which the international education sector, as a foreign exchange earner, provides for Australia and applies cost recovery measures which hamper the sector's efforts to earn increasing levels of foreign exchange.

A. Moore  
Chairperson

8 November 2000

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## **Attachment A**

### **Undertakings by Government that the SISF was to be a mechanism for funding the provision of information services to international**

- "The Student Information Services Fee (SISF) will contribute to the costs of providing accurate, comprehensive and objective information by the Government ..... This includes information provided through Australian Diplomatic Missions or directly by DEETYA in Australia." [Source: Letter to the ELICOS Association from the Minister for Employment, Education, Training and Youth Affairs, 14/10/96]
- "Question: What will the SISF to be [sic] used for?  
Answer: The SISF will offset the costs to the Commonwealth of providing accurate, comprehensive and objective information services about study in Australia to prospective overseas students." [Source: Employment, Education, Training and Youth Affairs, Questions and Answers, Budget 1996, p.46]
- "The Minister for Employment Education and Training, Senator Amanda Vanstone, outlines a framework for a legislative safety net and industry self regulation at the Adelaide meeting." ..... "The fee [SISF] will recoup about \$1 million of the \$12 million the government contributed towards the cost of the Foundation." [Source: "Regulation and industry development", Australian International Education Foundation Quarterly Report, November 1996, Volume 2, Issue 3, p. 2]
- "Similarly, the Government has met the costs of providing information services to prospective students. The Student Information Services Fee (SISF) will contribute to the costs of providing accurate, comprehensive and objective information by the Government. This ensures that prospective students have complete information about requirements for entry to and study in Australia. This includes information provided through Australian Diplomatic Missions or directly by DEETYA in Australia." [Source: Letter to the ELICOS Association from the Minister for Employment, Education, Training and Youth Affairs, 14/10/96]
- ".... incorporates the Student Information Services Fee of \$30 to be collected on behalf of the Department of Employment, Education, Training and Youth Affairs for providing information services on Australian education and training opportunities and living conditions. [Source: Letter to the Director of an ELICOS provider from Minister for Immigration and Multicultural Affairs, 7/11/96]
- "The Student Information Services Fee (SISF) will contribute to the costs of providing accurate, comprehensive and objective information by the Government ..... This includes information provided through Australian

Diplomatic Missions or directly by DEETYA in Australia." [Source: Letter to the ELICOS Association from the Parliamentary Secretary to the Minister for Employment, Education, Training and Youth Affairs, 14/10/96]

- "... incorporates the Student Information Services Fee of \$30 to be collected on behalf of the Department of Employment, Education, Training and Youth Affairs for providing information services on Australian education and training opportunities and living conditions. [Source: Letter to the ELICOS Association from the Chief of Staff, Office of the Minister for Foreign Affairs, 20/12/96]
- "The new visa fee includes a student information services fee (SISF) of \$30. The SISF will offset the costs to the Commonwealth of providing accurate, comprehensive and objective information on Australian education and training opportunities and living conditions to prospective overseas students through the network of Australian Education Centres, Education Counsellors at Australian Diplomatic Missions and the associated infrastructure offshore and on-shore." [Source: Letter to the ELICOS Association from the Assistant Secretary, AIEF Branch, Department of Employment, Education, Training and Youth Affairs, 19/11/96]
- "The SISF will offset the costs to the Commonwealth of providing accurate, comprehensive and objective information services about studying in Australia to prospective overseas students." [Source: Document provided to the ELICOS Association by the Assistant Secretary, International Policy & Legislation Branch, International Division, Department of Employment, Education, Training and Youth Affairs, 20/8/96]
- "The new visa fee includes a student information services fee (SISF) of \$30. The SISF will offset the costs to the Commonwealth of providing accurate, comprehensive and objective information on Australian education and training opportunities and living conditions to prospective overseas students through the network of Australian Education Centres, Education Counsellors at Australian Diplomatic Missions and the associated infrastructure offshore and on-shore." [Source: Letter to the ELICOS Association from the Chief Executive Officer, Australian International Education Foundation, 6/11/96]