

**Comment to the Productivity Commission Research Project**

**International Education Services
December 2014**

We welcome the opportunity to comment on the Commission research project on behalf of The Council of Private Higher Education Inc (COPHE).

COPHE is a peak body representing higher education institutions that are not public universities. The membership is diverse and includes private universities and institutions operating from more than 80 campus locations across Australia. Members vary in student enrolments from under a hundred to a few thousand and include not-for profit and for-profit operations. Courses offered range from pathway diplomas through to bachelor and master’s degrees, often linked to professions and employment, and on to research degrees, including PhDs.

**General comments**

International education is often spoken of as Australia’s third largest export industry, and the largest in the services sector, generating $15.7B in 2013-14[[1]](#footnote-1), and employing about 130,000 FTE[[2]](#footnote-2). While this is certainly true, international education is much more than a commodity. It enables students to gain an education that might otherwise be inaccessible, to engage with other cultures and contribute socially and economically to their own and the global community. Benefits to Australia include cultural enrichment in its colleges and universities, and mutual understanding and goodwill. These benefits have long been recognised, from the original Colombo Plan which trained many of the current government and business leaders in the region, to the New Colombo Plan to promote outbound mobility by our own students.

International education also plays a significant economic role as a source of skilled migrants, both short term and permanent. This is recognized and promoted in many other countries, notably Canada, New Zealand, USA and many European countries. Australian Government policy has been subject to numerous changes, some in response to perceived rorting arising from close links to specific labour shortages. This has created confusion and uncertainty.

It is critical such an important activity be supported by sound and consistent public policy. While the demand for international education remains strong, we face increased competition, not only from traditional providers such as the resurgent USA, but new entrants such as China, Singapore, Malaysia and other Asian hubs, and even European countries now delivering programs in English. Australia was the fourth or fifth largest destination for tertiary students in 2012, after the USA and UK, and about equal with Germany and France.[[3]](#footnote-3)

Australia has led the world in many aspects of international education regulation. The Education Services for Overseas Students (ESOS) Act 2000 provided many controls, consumer protection provisions, and useful trend data, which other countries have only recently matched. The ESOS Act and associated National Code of Practice have undergone continued refinement over the past decade, particularly following the Baird Review. They are subject to a current further review, with the intent to cut red tape, and remove redundant or unnecessary reporting and other compliance burdens on providers. Likewise the *Migration Act* 1958 and student visa policy settings have been progressively modified, including following the Knight Review. Much of this regulatory framework has been positive; however it could be much better in supporting international education, sending a coherent message of welcome to students, and engaging other nations and cultures.

We will address some of the historical legacies, and suggest ways forward in the following sections.

**Government Planning**

International education is currently supported by several Commonwealth Ministers and Departments, principally Education, Immigration and Trade (Austrade). These multiple responsibilities have led in the past to departmental silos, inconsistent policy and fragmentation of effort. International has had various homes within the varied incarnations of the Department of Education. Resourcing and clarity of roles have varied, impacting for example the offshore Counsellor network. Responsibility for marketing has also moved around, and now resides with Austrade.

None of this is to say officers were not employing their best endeavours, but the continual change and lack of continuity contrasts with the consistent presence and promotion of the *British Council* and even *Tourism Australia.*

Most States also have international education activities and strategies intended to promote international education. Many provide excellent support, but policies vary when greater alignment would send a more consistent message of welcome. An example is the differing policies on transport concessions. Most states extend student concessions to international as well as domestic students, while Victoria and NSW, the largest states in terms of student numbers offer only partial concessions, which are in practice of limited use. Transport concessions remain a touchstone symbol for international students and sponsors, especially for students in Melbourne and Sydney who often live far from their places of study and part-time employment.

Much of the total regulatory framework has grown up piecemeal, with duplication in standards and reporting requirements. Since the original ESOS Act and later versions of the National Code, we have seen the introduction various new registration standards (higher education, foundation programs, ELICOS, state based schools). Reporting requirements for international and domestic students differ. The Government is finally attempting to align and streamline these different requirements.

Some of the systems are dated and clunky. The Provider Registration and International Students Management System (PRISMS) requires manual entry of data for each student, in an age when sophisticated databases can talk to each other directly. While systems development can be expensive, the investment must be weighed against the current inefficiency. The Government is endeavouring to eliminate unnecessary reporting and red tape.

The Chaney Repot of February 2013 *Australia – Educating Globally* made many important recommendations, including the establishment of a high level *Co-ordinating Council on International Education*. The Council would be chaired by a federal minister and comprise other relevant ministers and representatives from business and industry, the international education sector and state and territory governments.

We are still waiting for the Government’s response, and urge that the Council be established as a priority to provide leadership and strategic planning for the sector.

**Risk Management and Immigration Integrity**

Any policy framework must support the integrity of the immigration system and manage the inherent risks. The challenge is getting the settings right, to be fair to students and the community, and not provide perverse incentives for abuse.

The Government approach to managing the immigration risk has been to impose onerous compliance and reporting requirements on all providers, rather than recognizing and rewarding low risk ones, and targeting resources to the minority of problem ones. This has led to inefficient and unnecessary processes, which is now being recognised in the current review of the ESOS Act and National Code.

The introduction of Streamlined Visa Processing (SVP) initially for universities, and since extended to other higher education and some VET providers, was a first step in recognizing low risk institutions. It forces providers to take responsibility for the immigration compliance of their students, and also provides incentive for other providers to improve the visa outcomes of their students if they seek to participate also. Institutions with SVP have valued it for the perceived status and simpler visa processing it confers. However SVP has been divisive, and may not be capable in its present form of being extended much further to smaller providers or other sectors such as ELICOS, schools and many VET providers. It is time to develop a risk framework that rewards low risk providers and genuine students in all sectors through faster and simpler visa processing.

The initial Assessment Level (AL) risk framework for student and sector risk with 5 levels (in reality 4) imposed onerous demonstration requirements which created incentive for fraud, and were often ineffective anyway. For the high risk level 4, which applied to most sectors in several of the major source countries, visa applicants were required to demonstrate financial resources for 3 years tuition fees, living and travel costs for themselves and any dependants. People of sufficient wealth rarely kept such funds in bank accounts or other acceptable places, hence the incentive for document fraud and the impact on government resources needed to verify documents. The great weakness was that there was no requirement for the funds to actually follow the student onshore. When the financial demonstration could be met by evidence of a loan from a reputable bank or similar, the bank would extend the loan until the visa was granted, in the knowledge it would then be immediately repaid.

With the introduction of the Genuine Temporary Entrant (GTE) criterion, the number of Assessment Levels was reduced to 3; the most financial resources an applicant must provide is one year tuition and living costs, which is more in line with requirements for an equivalent visas for the USA or UK. After initial implementation issues, the combination of GTE and the AL framework is functioning much better. We expect it will be further improved following the current review of SVP.

The AL risk methodology was initially based on visa compliance metrics, overlaid with qualitative judgments, including input from the overseas posts. Since that time national regulators have replaced state based ones in higher education and VET (TEQSA and ASQA) which also regulate ELICOS. Consumer protection mechanisms have also changed, with a single Tuition Protection Service (TPS) replacing the various industry association schemes. Regulators and the TPS have their own measures of provider risk, based on their particular focus.

**Attitudes to Students; Visa Charges**

Australia has failed to extend a consistent message of welcome to international students through its policy settings and their application. Often there is an implied suspicion that students are not genuine, if they cannot articulate a clear study and life plan. This fails to grasp the reality of younger generations who engage in travel and study for multiple reasons of personal and professional development, and who often join a mobile global workforce rather than settle in one country permanently.

Early attitudes treated students virtually as criminals if they failed to comply with the smallest requirement of their visa. In sectors where a minimum 70% or 80% attendance is required, providers are required to report students once they cannot reach this in any study period such as a semester. The letter of the law is simply unachievable in practice, and places excessive compliance load on those conscientious providers who try. Until recently, unless there were exceptional circumstances, the student visa would be automatically cancelled, and would likely end up in an appeal to the Migrant Review Tribunal after various other appeals processes were exhausted, again with unproductive time and effort on all sides. It should be noted that some of these policies have softened slightly; visas are no longer automatically cancelled when a student is reported for unsatisfactory attendance or progress, instead the Department can apply more discretion depending on the individual circumstances. Nevertheless it indicates an underlying culture of suspicion and excessive and unproductive reporting timeframes.

International students are seen by some as “cash cows” to be exploited, including by the minority of unscrupulous agents, providers and landlords. Unfortunately the Government itself is not without blame. Visa application charges are much higher than competitor countries; only the UK is greater in some circumstances. These charges were introduced under the previous government without warning or consultation, in spite of forums such as the Education Visa Consultative Committee where such issues are meant to be discussed. It is now possible for a student with dependants, who renews their visa onshore to pay several thousand dollars – more than the cost of some courses. Not only are such charges inconsistent with the overall message of welcome, but they are also a severe irritant to other countries’ government sponsors who view them as price gouging by the Australian Government.

Attached in the Appendix is the COPHE submission to the recent *Joint Review of Border Fees, Charges and Taxes.*

There is scope to better inform the local community of the benefits of international students. Many of those who actually come into close contact, such as homestay families feel uplifted by the cultural exchange, and forge lasting friendships. Others however see international students as taking local places in universities and colleges, or competing for jobs. The reality is the reverse: they bring income and cultural enrichment to our educational institutions, to the benefit of all students, and actually create net jobs, as well as spin-offs to other industries such as tourism. We need to sell this message better to the wider community.

**Link between International Students and Skilled Migration**

Skilled Migration has perhaps been the greatest source of policy inconsistency, with detrimental consequences for international education. Other developed countries, especially those with an aging demographic openly welcome international students, and consciously encourage them to stay for a while, or permanently, to contribute to the economic and social progress of the country through either their specific skills, or a more general contribution to the human capital. Canada, New Zealand, USA and many European countries follow this approach. Australia has been more ambivalent about this link between education and migration. We have had various schemes for general and sponsored skilled migration; Government policy has been subject to numerous changes, some in response to perceived rorting arising from close links to specific labour shortages. This has created confusion and uncertainty.

While not explicitly a migration pathway, post study work rights introduced following the Knight Review enable higher education graduates who meet certain conditions to remain for 2 years (longer for postgraduate research students). This has been a fair and constructive initiative. Students can contribute back to the economy as they gain valuable work experience in an increasingly competitive global market, and perhaps be sponsored by an employer for skilled migration if this is their goal. However students must apply for a new visa (class 485) with its attendant charges; in other countries, similar schemes are an extension of the student visa.

There is a clearer migration pathway through the graduate work stream of the 485 visa, which is open to students who complete a course at diploma level or above, or gain a trade qualification in one of the occupations of a skills shortage designated on the *Skilled Occupations List (SOL).* Students seeking skilled migration often choose courses linked to SOL occupations to maximise their chances of success. The SOL is reviewed annually; significant changes, such as the recent rumoured removal of Accounting cause great uncertainty, fluctuating demand for certain courses, and in the worst case, college closures which disadvantage students and damage the reputation of the industry.

The international education bubble of 2007-09 was fuelled by flawed migration policy that linked permanent residency too closely to occupations on SOL and the *Migration Occupations in Demand List (MODL),* which is now discontinued. Combined with a failure of the then state based regulators, the migration link encouraged the rapid growth of rogue colleges in fields such as cookery and hairdressing, with the resultant closures, student displacement and negative publicity when the policy was inevitably changed.

Apart from employer and other sponsorship, applicants for skilled migration must qualify through a points test based on multiple factors; the points test has gone through several refinements, most recently in 2011. Applicants must list on the *SkillSelect* website, and be invited to apply for skilled migration. Meeting the minimum points no longer automatically qualifies for migration.

There are various arguments for and against skilled migration policy that targets specific occupations, as against a broader human capital approach that attracts well educated migrants irrespective of occupation. Whatever the model, what is required above all is stability and certainty to underpin a sustainable international education activity as it recovers from the recent boom and bust cycle.

**Conclusion and Recommendations**

There is much we do well in the regulation of international education, and steps are already underway to make it better, in particular to cut red tape and minimise the regulatory burden on providers. However there is still room for further improvement, particularly in some of the government policy settings:

1. Develop a co-ordinated, whole of government (Commonwealth and States/ Territories) strategy; implement the Chaney recommendations, in particular establish the Co-ordinating Council
2. Re-orient the government approach to immigration risk through streamlining the student visa framework, to reward quality providers and genuine students across all sectors, and focus government resources on the areas of greatest risk, rather than creating barriers for all
3. Continue to develop systems to streamline reporting and reduce the compliance burden on providers
4. Balance the need for continuous improvement across all policies with the advantages of policy continuity and certainty, especially in skilled migration and its inevitable link with international education
5. Recognize and promote in a controlled way international education as a valid and necessary source of skilled migrants, both short term, and permanent
6. Communicate a consistent message of welcome to international students, that treats them not just as a source of income, but people who contribute in so many ways to our society; in particular, articulate better the benefits of hosting international students, standardize transport concessions, and revoke the unjustified and counter-productive recent increases in visa charges.

Please contact us if you wish to discuss any of these or other points. It is important that we take this opportunity to get right the policy settings to underpin a sustainable international education industry, that is but one facet of our multilateral global engagement.

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**Appendix: COPHE Submission to the Industry Consultation Paper Sept 2014**

**Joint Review of Border Fees, Charges and Taxes**

COPHE is a peak body representing non-Government higher education providers. While we recognize the breadth of the Review, our focus on the impact of visa charges on onshore international students.

International education is often quoted as our largest services export industry, worth over $16B pa. It is much more than a commercial commodity, generating social and cultural engagement, and bilateral goodwill.

Enrolments have doubled in the past decade, as Australia’s share of global tertiary students has increased from 4% to 6% (OECD). While recovering from the recent downturn, the industry still faces increasing competition from traditional destinations, new entrants and new technologies, including online. This coincides with a recent levelling in the global demand, and rising costs that now place Australia as the most expensive of the major destinations (HSBC).

The education peak bodies were shocked when visa charges were unilaterally increased without prior consultation under the previous Government. The changes are significantly higher than those in competitor countries, and provide a major disincentive for students and others to apply for further onshore visas. Former students have been an important source of tourism income, with about 30k pa transferring to tourist visas. The visa charges have also irritated government sponsors in other countries.

The increases applied to the base application charge, with significant charges for additional applicants, which particularly impacts students with dependants. There is also a subsequent temporary application charge (STAC) of $700 for the second or subsequent onshore temporary visa application, which applies to all those on the visa. A student with a spouse and two children who applies for a second onshore student visa, to extend their course or enrol in a new one is charged a further $4010. This would be about the cost of a 10 week English course at a typical provider. If they then apply for a tourist visa the family is charged a further $3960! Such price gouging is completely inconsistent with charges elsewhere, and with the message of welcome we seek to send to the world.

The impact of the changes is difficult to unpick from other factors; however it is noteworthy that there has been an 11% decline in onshore student visa applications from a STAC-countable visa, and a 12% decline in grants from a student visa to other temporary visas in the year 2013/14 over the previous year.

If the Government really wants to show its *commitment to grow international education to secure Australia’s place as a world leader* (Minister’s speech 7 Oct) then it must immediately:

1. Reduce the base student visa charge to parity with competitors; we suggest a two tier scale, with a lower rate for short courses (6 months) and those needing a short extension to complete their course
2. Eliminate the STAC as a counterproductive barrier to the education and tourism industries.
1. https://www.aei.gov.au/research/Research-Snapshots/Documents/Export%20Income%20FY2013-14.pdf [↑](#footnote-ref-1)
2. Deloitte Access Economics 2013: *The Economic Contribution of International Students* [↑](#footnote-ref-2)
3. UNESCO data 2014; OECD *Education at a Glance 2014* [↑](#footnote-ref-3)