



## Submission to the National Commission of Audit regarding international education

Tuesday 26 November 2013

Australia's international education peak bodies make the following joint submission to the Commission of Audit as we seek to restore global competitiveness and innovation in Australia's international education sector.

The National Commission of Audit, in particular, seeks input on:

- Areas of duplication within the Commonwealth Government and between Commonwealth/State Governments, where one level of Government should be removed or reduced in function.
- Activities currently undertaken by Government that should cease or be reduced, or where the activity could be more efficiently handled by another body.
- Recommendations for efficiency improvements across all areas of Commonwealth expenditure to deliver a surplus of 1 per cent of GDP prior to 2023-24.

### Summary of recommendations

1. Establish the Ministerial Coordinating Council for International Education to enable whole of government engagement in international education policy making.
2. Harmonise domestic quality assurance frameworks and the ESOS Framework to prevent duplication of administrative and reporting burden.
3. Remove the restriction on collecting tuition fees to remove disincentives for agents to work with Australian providers and moral hazard for students.
4. Remove reporting obligations for student default due to the excessive administrative burden in reporting student default to the Tuition Protection Scheme (TPS).
5. Review the Entry to Market Charge to lower the cost for prospective providers wishing to enter the industry.
6. Review the cost structure of student visas to enhance Australia's competitiveness.
7. Develop and implement an alternative to Streamlined Visa Processing (SVP) for those providers currently ineligible that rewards low risk and high quality providers.
8. Implement an industry-wide risk based framework for all providers to ensure parity and equity in the marketplace as well as optimal immigration outcomes.

## **Current environment**

Over the last 30 years Australian education institutions have attracted large numbers of international students to study in Australia and a major export industry has been created. International education now generates approximately 127,000 Australian jobs (Deloitte Access Economics Report, 2012) and is currently worth \$15 billion in export earnings (AEI, 2013). Australia's education sector and, more broadly, the Australian social and economic landscape, have been transformed as a consequence. The greatest impacts of this transformation are evident in Australia's increased engagement and collaboration with Asia.

While the benefits accrued to Australian institutions and society are clear, the imperatives and challenges facing Australia and the international education industry are neither well understood nor effectively addressed. The international education industry has faced turbulent times in recent years. The result has been a steady decline in Australia's international education sector as students have chosen other destinations offering lower visa fees, faster bureaucratic processes, more affordable living and coordinated global marketing by foreign governments that better recognise the value of international students.

Lack of vision and the fundamental failure to adopt a long-term planned approach to the international education industry, strategy drift, policy turbulence and uncertainty, over-regulation and regulatory confusion undermine confidence and constrain business innovation. Emphatically, there is an urgency to resolve these issues if the international education industry is to achieve what it could and should for the Australian community.

## **Implementing Chaney Report recommendations**

One of the main sources of unnecessary complexity and over-regulation in the international education industry is the lack of an over-arching body to oversee the strategic direction and operating environment of the sector at the national level. The International Education Advisory Council report, *Australia - Educating Globally* ("the Chaney Report") presented to the then Government in February 2013, recommended the establishment of a high level Ministerial Coordinating Council on International Education (MCCIE) with "a broad representational structure" to take on this role.

The joint peak bodies strongly support establishment of the Ministerial Council as a matter of urgency. In addition to Australian Ministerial representation from the relevant portfolios proposed by the Chaney Report, the membership of the MCCIE should include a business leader or leaders of the standing and experience of Michael Chaney AO; a State Premier, preferably from a state where international education ranks within the state top export industries, as well as leading experts from each of the education export sectors. This would provide not only a whole-of-government approach, but also a whole-of-sector approach to the strategic management of a vital export industry.

As Minister Pyne said to industry at the Australian International Education Conference held in Canberra earlier this year:

*"Rebuilding Australian international education is one area in which you can expect a concerted and consultative effort. This is the time to begin building the new architecture that will sustain the international education sector through decades of future growth. An export industry not only to be proud of, but sure of."*

**Recommendation 1:** Establish the Ministerial Coordinating Council for International Education to enable whole of government engagement in international education policy making.

## **The ESOS framework**

Currently the main regulatory pillar governing international education is the Education Services for Overseas Students Act 2000 (ESOS Act) and its associated legislative framework.

Originally created to provide a national quality assurance and consumer protection framework to support what was then a growing industry, the ESOS Act has, over time, become prescriptive and restrictive; imposing an excessive administrative burden and a complex fee regime on providers which also serves as a disincentive to new providers wishing to enter the market.

Successive reviews of the ESOS Act have added layer upon layer of regulation. In some cases this has duplicated existing regulatory processes; either state/ territory based processes, as in the case of schools, or those of other quality assurance bodies such as the Tertiary Education Quality Standards Agency (TEQSA) or the Australian Skills Quality Authority (ASQA). The overall regulatory framework is now highly complex, where similar providers can be charged differential fees for international education participation depending on where their domestic accreditation lies.

Recent changes to the ESOS Act included the establishment of the Tuition Protection Service (TPS). The TPS was recommended by the Baird Review and was designed to streamline the financial requirements of the ESOS Act and provide central student placement services in the case of provider default. While the TPS fulfils a valuable role for industry, providers struggle to meet the associated and excessively onerous reporting obligations. The most recent TPS annual report states that there were 40,000 provider reports on student default, only one of which was actionable by the TPS. (*Department of Industry, Innovation, Climate Change, Science, Research and Tertiary Education Annual Report 2012-13* pp. 157-8) This clearly fails a cost-benefit test given the considerable compliance costs associated with reporting student defaults within three days.

The limitations on collection of tuition fees and record keeping requirements for fees paid to providers are clear examples of where proportionate deregulation is the only answer. All sectors of industry agree that the administrative burden imposed on providers by these requirements is out of all proportion to the issue at hand i.e., the calculation of fees owed to a student in the case of provider default.

Additionally, disproportionately high entry-to-market charges act as a disincentive to providers, both new and established, that may wish to participate in international education. If the Australian Government is seeking to reinvigorate the international education industry, then removing some of these barriers to participation is paramount.

**Recommendation 2:** Harmonise domestic quality assurance frameworks and the ESOS Framework to prevent duplication of administrative and reporting burden.

**Recommendation 3:** Remove the restriction on collecting tuition fees to remove disincentives for agents to work with Australian providers and moral hazard for students.

**Recommendation 4:** Remove reporting obligations for student default due to the excessive administrative burden in reporting student default to the Tuition Protection Scheme (TPS).

**Recommendation 5:** Review the Entry to Market Charge to lower the cost for prospective providers wishing to enter the industry.

### **The student visa program**

Where the ESOS Act is primarily concerned with quality assurance and consumer protection, the main concern of the Student Visa Program is to maintain the integrity of Australia's visa processes and to manage migration risk. While this is understood by industry, peak bodies agree that there are steps that can be taken to make Australia more competitive internationally in attracting overseas students.

The cost of Australian visas is of very real concern to the industry as Australian student visas are substantially more expensive than those of our competitors such as the UK, NZ and Canada, with the same high visa fee charged regardless of whether a student gains a visa for 3 months or 3 years. And it is not only initial student visa costs which are high. From 1 July this year an additional fee of \$700 was imposed for a second onshore temporary visa application, on top of the already existing high fee, without reasonable justification or consultation. There are also new fees for dependants. These will increase the costs for all students who apply for another visa while they are here in Australia, including a visa for further studies.

At the same time, student visa policy appears to differentiate between sectors with streamlined visa processing (SVP) being made available to a limited number of institutions offering restricted qualifications. Reasons for differentiation of SVP are twofold. Firstly, SVP is limited to specific sectors i.e., Higher Education providers offering Bachelor degrees and above, with the inclusion of nominated business partners for ELICOS and other pathways giving significant market advantage to a small segment of such pathway providers. Secondly, the initial data assessment undertaken by the Department of Immigration requires a minimum of 100 overseas students be enrolled, limiting the number of eligible institutions.

This differentiation within the industry and further, within sectors, has the potential to create imposed and arbitrary market differences between providers and to drive aberrant student behaviour. To date, the entire university sector has been eligible to participate, however, with the addition of selected Higher Education providers, it is likely that SVP participation is going to become a bone of contention between those who are eligible and those who are not.

The joint peak bodies urge consideration of an alternative to SVP for non-higher education and smaller providers that rewards low risk with reduced regulatory burden. The peak bodies will be meeting to develop a proposal for a suitable model in coming months for presentation to relevant Ministers, potentially at a first meeting of the Ministerial Council.

**Recommendation 6:** Review the cost structure of student visas to enhance Australia's competitiveness.

**Recommendation 7:** Develop and implement an alternative to Streamlined Visa Processing (SVP) for those providers currently ineligible that rewards low risk and high quality providers.

### **A risk management approach**

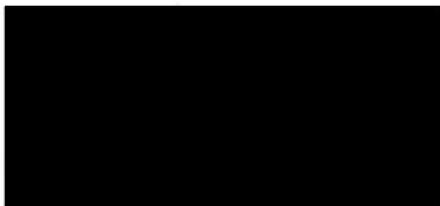
In all areas, industry believes that a proportionate and transparent risk management approach is the best possible way to ensure that Australia's international education export services remain high quality, affordable and low risk from a compliance perspective.

By its very nature, a proportionate risk management approach would impose the greater burden on high risk institutions, while freeing up low risk institutions to focus on education. We believe that it is possible for both the ESOS Framework and the Student Visa Program to utilise risk management principles which are transparent and consistent, taking into account both education quality and migration risk. It should be possible, in consultation with industry, to determine common criteria for risk across frameworks, as well as sector specific components of risk which might apply only within an ESOS or a migration context.

The streamlining of processes for low risk providers both in terms of quality assurance and reporting and compliance will go a long way to meeting the stated goals of the Australian Government to "*improve the overall efficiency and effectiveness with which government services and policy advice are delivered*" and to rebuild the international education industry for the future.

**Recommendation 8:** Review and implement an industry-wide risk based framework for all providers to ensure parity and equity in the marketplace as well as optimal immigration outcomes.

Signed for and on behalf of the Peak Bodies



National Executive Director  
International Education Association of Australia (IEAA)

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