

Navitas is an Australian global education leader providing pre-university and university programs, English language courses, migrant education and settlement services, creative media education, student recruitment, professional development and corporate training services to more than 80,000 students across a network of over 110 colleges and campuses in 27 countries. Navitas listed on the Australian Securities Exchange (ASX) in 2004 and is now an S&P/ASX Top 100 Company, employing more than 5,500 staff globally.

Navitas believes an innovative, diverse, globally connected public and private education sector is critical to Australia's future prosperity, intellectual capital and social cohesion. While many of the building blocks are in place action is needed now to remove government inefficiencies and improve value for money in regulation, systems and processes that impede the post-secondary education sector's capability and responsiveness, both in domestic and international education, in meeting the nation's current and future knowledge, skills and workforce needs and in enhancing our regional and international reputation and influence.

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

- Ensuring value for money in public expenditure;
- Eliminating wasteful spending;
- Identifying areas of unnecessary duplication between the activities of the Commonwealth Government and other levels of government;
- Identifying areas or programs where Commonwealth involvement is inappropriate, no longer needed, or blurs lines of accountability; and
- Improving overall efficiency and effectiveness with which government services and policy advice are delivered.

CURRENT ENVIRONMENT FOR COMPETITIVENESS OF INTERNATIONAL EDUCATION INDUSTRY

Over the last thirty years Australian education institutions have attracted large numbers of international students to study in Australia and in the process a major export industry has been created. International education now generates approximately 127,000 Australian jobs¹ and is currently worth \$15 billion in export earnings². 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.

¹ Deloitte Access Economics Report, 2012

² Australian Education International, 2013

While the benefits accruing to Australian institutions, the economy, and society are clear³, 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, importantly, coordinated global marketing and positioning by foreign governments that better recognise the value of international students.

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

IMPLEMENTING 'the Chaney Report'

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.

Navitas endorses the position of joint peak bodies⁴ in strongly supporting establishment of the Ministerial Committee 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,

³ Ed Davis and Mackintosh *Making a Difference – Australian International Education*, UNSW Press, 2013; *Australia - Educating Globally*, Advice from the International Education Advisory Council, February 2013

⁴ Joint Communique By Australia's Education Peak Bodies - An Action Plan For the International Education Industry, May 13 2013.

“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 and industry engagement in international education strategy development and policy making.

Recommendation 2: Implement the recommendations contained in the Chaney Report.

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 and regulatory framework.

Originally created to provide a national quality assurance and consumer protection framework to support what was then a developing industry, the ESOS Act has, over time and despite the best intentions of Government and industry, become proscriptive and restrictive; imposing an excessive administrative burden and a complex fee regime on providers which also serve as disincentives 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 or 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 registration lies.

Recent changes to the ESOS Act included the establishment of the Tuition Protection Service (TPS). The TPS was recommended by the Baird Review (2010) 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. This clearly fails a cost-benefit test given the considerable compliance costs associated with reporting student default 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, namely the calculation of fees owed to a student in the case of provider default.

In addition, the current legislation provides disincentives for agents to work with Australian providers and is distorting student, agent and provider behaviour in some sections of the industry.

Recommendation 3: Remove Tuition Protection Services (TPS) Reporting for student default.

Recommendation 4: Remove the restriction on limiting the amount of pre-paid international student fees that institutions can collect.

Recommendation 5: Amend ESOS legislation/regulation so that students who come in under SVP arrangements cannot change their education provider to a non-SVP provider onshore without the approval of their current SVP provider.

Recommendation 6: Harmonise domestic quality assurance frameworks and the ESOS Framework to prevent duplication of administrative and reporting burden

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 providers and industry 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 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. 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 many students who apply for another visa while they are here in Australia, including a visa for further studies.

Navitas has advocated for proportionate regulation and streamlined visa processing (SVP) for all low risk, high quality providers irrespective of size, education sector or ownership. With the introduction of SVP, which has been made available to a limited number of institutions, firstly universities and their education business partners, and now degree granting higher education institutions of a certain size, there is a perception in the market place that non-SVP approved institutions are not deemed high quality by the Australian Government. This differentiation within the industry and further, within sectors, is creating imposed and arbitrary market differences between providers. This in turn is impeding the growth of the international education industry and reducing the market competitiveness of low risk, high quality education providers.

There are a number of other regulatory impediments to market competitiveness that require attention.

Navitas supports the recommendations in the Chaney Report related to Australia's student visa program. Namely,

E.1 Conduct a review of the first year of operation of the GTE criterion, identifying and addressing any unintended consequences that affect the sector, including the extent to which it may be acting as a deterrent to genuine students.

E.2 Expedite streamlined visa processing for low immigration risk providers.

E.3 Implement a whole of government approach to educating employers on the value of recruiting graduates, both domestic and international.

E.4 Consider increasing the points bonus available for an Australia education qualification in the skilled migration points test from five to 10.⁵

Another matter that requires attention is the restriction on English test providers in relation to Post Study Work Rights. Australian visa regulations require evidence of English proficiency for most visa classes. Currently, the IELTS test enjoys an effective monopoly in two areas of English language testing for Australian visas - either through regulation (temporary and permanent skilled migration) or unintentional consequences (student post-study work visas).

In 2011 three test providers gained approval in relation to – however, subsequent regulatory changes (Skilled – Graduate (Temporary) Visa (Subclass 485)) have effectively recreated the previous monopoly. Students applying for the 485 visa can only use the IELTS

⁵ *Australia - Educating Globally*, Advice from the International Education Advisory Council, February 2013

test to demonstrate English proficiency, breaking the student visa continuum, introducing an additional cost burden for students and causing further uncertainty in markets.

The new Government has made clear its priority to “repair” international education, strengthen the sector and reduce regulatory red tape. Minister for Immigration, Scott Morrison, said in his address to the Affinity Intercultural Foundation “We must be wary of creating a closed shop on English language testing ... we should be moving towards a more competitive framework”, pointing out that the United Kingdom currently accepts many language assessment systems besides IELTS⁶.

Navitas supports the extension of the right of English Language test providers approved for student visa purposes to conduct English language tests to assess eligibility for visa subclass 485. Having one test provider is a disincentive to some student markets and imposes an additional cost burden on international students whose initial English language test is from a different test provider. The restriction impedes an open, competitive market.

Recommendation 7: Reduce the cost of student visas to enhance Australia’s competitiveness.

Recommendation 8: Develop and implement enhancements to the current SVP system for low risk, high quality providers currently ineligible to participate in streamlined visa processing.

Recommendation 9: Undertake the proposed review of the operation of the Genuine Temporary Entrant test for international students to ensure its application is transparent and proportionate.

Recommendation 10: Amend the regulations to allow the approved alternative English language tests, which have satisfied the Government’s quality criteria, to be used for student post-study work visas (Subclass 485).

SKILLS SHORTAGES AND WORK EXPERIENCE

In its 2013 report Future Focus⁷ the Australian Workforce Development Agency Australia spells out Australia’s challenge “...to sustain this prosperity by developing the nation as a knowledge-intensive economy, growing our capacity for cutting-edge innovation and

⁶ <http://www.affinity.org.au/wp-content/uploads/2013/07/Morrison-Doing-far-more-to-build-our-nation-170713.pdf>

⁷ Future Focus – National Workforce Development Strategy 2013, AWPA

supporting productivity growth while also building our communities and supporting environmental sustainability.”

By 2025, according to modelling developed by AWPA, Australia could be 2.8 million short of the number of higher-skilled qualifications that industry will demand⁸.

Students, both international and domestic, now expect to gain work experience as part of their ‘education package’. Students are looking for work-integrated learning and post study work opportunities.

Research by i-graduate⁹ utilising feedback from over 160,000 international students globally, including those attending Australian institutions, showed that students are least satisfied with their institutions in the areas of employability, careers advice and work experience. While these are matters that offer opportunities to Australian education institutions to increase the attractiveness of Australia as an education destination success, work experience is, by necessity, driven engaging with the business sector to offer work placements and/or internships.

Our ability to provide a quality education and access to work experience is a key element in our market competitiveness and a source of retaining skilled domestic and international workers. There is a primary role for Government to facilitate a national strategy in this area. Navitas supports the Chaney Report recommendation that Government “identify potential new links between Australian education and training expertise and Australian and overseas businesses, through the establishment of industry champions.”¹⁰

In addition, Navitas supports the view of the Minister for Education that international students are a key source of skilled migrants.

“...But other students, those that study here, gain an Australian qualification, make friends, bring their family out to visit, participate in, and are able to contribute to our society by filling an area of genuine workforce shortage. They are exactly the kind of people we want, and should want, at the front of our migration list – not at the end.”¹¹

Recommendation 11: The Commonwealth, through COAG and its relationships with State and Territory Governments and the business sector, develop an integrated framework for the provision of work experience opportunities for domestic and international tertiary students.

⁸ Future Focus – National Workforce Development Strategy 2013, AWPA

⁹ Global data International Student Barometer 2012, i-graduate.

¹⁰ *Australia - Educating Globally*, Advice from the International Education Advisory Council, February 2013

¹¹ Speech by Minister Pyne to the Australian International Education Conference, October 2013.

Recommendation 12: Government should consider amending the permanent migration criteria in areas of genuine skill shortages to attract graduates of Australian education institutions.

REGULATORY BURDEN

In April 2013, education consultants PhillipsKPA released analysis on the mandatory reporting requirements of universities to the then Department of Industry, Innovation, Climate Change, Science, Research and Tertiary Education.

The PhillipsKPA report found that universities must meet the requirements of a minimum of 18 different data collection processes within a year, costing the entire university sector 66,000 staff days and AUD\$26m per annum.

This is a staggering financial and resourcing impost however even more alarming is that this is just the requirements of the university sector to one regulator. A range of other education providers such as Navitas, which operate in the higher education sector, must also meet many of these requirements. And providers, again including Navitas, which operate across many, or all education and training sectors, must meet the human and financial cost of an ever-widening expanse of regulatory requirements (ESOS), regulators (TEQSA and ASQA) and government departments.

Currently providers can be required to undergo ASQA, TEQSA and ESOS regulation and audit processes, all of which expire at different times but can require similar information, e.g. corporate governance, financial viability, and professional development of staff, during three separate assessment processes for registration or risk.

Cost and information needed for accreditation and reaccreditation requirements should be reviewed and assessed to reduce the amount of data required for such a process.

Navitas supports the findings of the Review of Higher Education Regulation Report¹² and would extend the recommendation of a single national higher education data collection agency to one which covers tertiary education. Ultimately providers are being overwhelmed by multiple submission dates, numerous bespoke software packages and overlap between multiple regulators.

Recommendation 13: Multi-sector providers should be able to supply a single, comprehensive submission to one regulator only and have that registration recognised by other regulators.

¹² Review of Higher Education Regulation Report 2013 by Professor Kwong Lee Dow and Professor Valerie Braithwaite

Recommendation 14: Create a single national tertiary education data collection agency or single data collection process per year.

Recommendation 15: Require regulators to operate under a Service Charter that mandates a maximum assessment period to be no more than 120 days for all registration and accreditation processes.

PROPORTIONATE RISK MANAGEMENT

Navitas believes that a proportionate and transparent risk management approach is the best possible way to ensure that Australia's domestic education and 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.

Navitas has already submitted, in relation to TEQSA's financial risk assessment framework, that many of the indicators determined for measuring risk are not reliable indicators or even proxies for financial risk. These indicators should be abandoned and replaced with indicators that properly assess the financial viability of an education provider.

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.

TEQSA has developed and implemented a Regulatory Risk Framework, ASQA has developed and implemented a Risk Assessment Framework and VET FEE-HELP is considering developing a risk-managed approach to HELP Scheme approvals. Risk frameworks have been for the Tuition Protection Scheme and Streamlined Visa Processing. Clearly, a situation where several risk frameworks exist for different regulators creates significant duplication and regulatory overburden.

There is a clear rationale in terms of cost, duplication and inefficiency to develop a national risk management framework.

Recommendation 16: Government and their regulators work together with the education sector to create an integrated and simplified risk management framework utilising measures that transparently and reliably assess risk, reduce duplication and unnecessary regulatory burden while ensuring optimal student protection, quality and compliance and immigration outcomes.

DEMAND DRIVEN SYSTEM

A recent report, *Higher Education enrolment growth, change and the role of Private HEPS*¹³, commissioned by the Australian Council of Private Education and Training, maps the change in higher education enrolments in the period from 2009 to 2012 and posits the potential role of non-university higher education providers could play in the expanding enrolments and widening access. The period 2009-2012 has seen an expansion in enrolments and access driven by a number of policies, the most influential being the introduction of a 'demand driven' funding system for universities in 2009. During the period there has been growth of 21.3% in higher education commencements, the majority of which has been in universities, "which were the specific aim and beneficiaries of substantial change in policy and funding."¹⁴ However, alongside the growth in universities there has been growth in private provider non-subsidised enrolments of 22.3%.

The data indicates the increase in university attainment rates of bachelor degree or above has not necessarily come from domestic higher education output but more probably from a strong skilled migration program and international students. It suggests that with the slowing of the rate of growth in applications for university in recent years the 40% attainment target through expansion of university domestic higher education places will not be attained unless there is expanded provision by private providers, perhaps through CSP, and an expansion of the demand-driven funding system to private and TAFE providers. It suggests that the modes of provision used by private providers may be more conducive to benefiting under-represented groups.¹⁵

Recommendation 17: Government consider the benefits private providers and TAFEs can bring in the achieving education attainment and low SES participation targets for higher education through the expansion of the demand driven system.

¹³ Edwards & Radloff, *Higher Education enrolment growth, change and the role of Private HEPS*, ACER and ACPET 2013

¹⁴ Edwards & Radloff, *Higher Education enrolment growth, change and the role of Private HEPS*, ACER and ACPET 2013, p 23.

¹⁵ Edwards, Coates & Radloff, *Delivering Quality Higher Education: understanding the standards, processes and practices used by private providers*, ACER and ACPET, 2009.